

# MICHIGAN 1040 2004

## Individual Income Tax Forms and Instructions

**Filing Deadline**  
**April 15, 2005**

**Visit Treasury's Web Site at**  
**[www.michigan.gov/treasury](http://www.michigan.gov/treasury)**



### ***Inside This Booklet . . .***

- Make a voluntary contribution to the Military Family Relief Fund to benefit members of the Michigan National Guard and Reserve units called to active duty. See pages 4 and 13 of this booklet.
- e-file: Secure, Fast and Convenient! Over half of Michigan taxpayers chose to e-file their 2003 income tax returns. Free e-file is available--do you qualify? See page 2.
- Internet and Telephone services available 24 hours a day. See page 3 for details.
- Choose the convenience of Direct Deposit. See page 14.
- See what's new for 2004 on page 4.
- For *Help with Your Taxes*, see page 3.
- A complete *Index* of this booklet is on page 47.



**Jennifer M. Granholm, Governor**  
**Jay B. Rising, State Treasurer**

HOW ARE YOU FILING THIS YEAR?

# Get the E-facts on E-file.



**More than half of all Michigan taxpayers e-file their tax returns.**

Are you wondering what you've been missing?

**You get your refund faster when you e-file.**

Choose Direct Deposit, and your refund goes right to your account. No more waiting in line to cash your check.

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# Help With Your Taxes

*Treasury is committed to fair, consistent and courteous customer service.*

We are pleased to offer the following services available 24 hours a day, 7 days a week.

**Note:** To get return information using the “Internet” and “Telephone” options below (excluding “Tele-Help”), you must have the primary filer’s Social Security number and adjusted gross income or household income.



## **Internet** **www.michigan.gov/iit**

You can access the Department of Treasury Web site to: (1) check the date Treasury is currently processing returns, (2) check if your refund has been issued, and when, for the current year and three prior years, (3) ask Treasury a question, and (4) request copies of returns filed. Visit our Web site at **www.michigan.gov/iit** to access these service options. Frequently Asked Questions are also available.



## **Telephone** **1-800-827-4000**

Call the Computerized Return Information System (CRIS) to: (1) check the date Treasury is currently processing returns, (2) check if your refund has been issued, and when, for the current year and three prior years, (3) check estimated payments, and (4) order copies of current and prior year tax forms.

**Tele-Help:** For prerecorded information about income tax and tax credit topics, telephone 1-800-827-4000, select menu option “1,” then “4” and enter the appropriate code number from the topics list in the next column. —————>



## **Forms**

**Internet:** Forms are available on our Web site at **www.michigan.gov/treasury**

**Phone:** Call toll-free 1-800-827-4000 to have tax forms mailed to you.

**Public Offices** (available during regular business hours): Commonly used forms are available at Treasury offices (see back cover) and most public libraries, Northern Michigan post offices, Michigan Secretary of State branch offices, and Family Independence Agency branch offices.

**Persons who are deaf, hard of hearing or have a speech impairment may call 517-636-4999 (TTY).**

## **Tax Information at Your Fingertips!** **Tele-Help code numbers and topics**

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# Important News for 2004

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## Reduction in Tax Rate

The income tax rate was reduced from 4.0 percent in 2003 to 3.95 percent in 2004.

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## Increase in Special Exemption Allowance and Pension and Interest Deduction

The special exemption allowance is \$2,000 for 2004. See page 11 for more information.

For tax year 2004, pension benefits included in adjusted gross income (AGI) from a private pension system or an IRA are deductible to a maximum of \$38,550 for a single filer, or \$77,100 for joint filers.

Senior citizens age 65 or older may be able to deduct part of their interest, dividends and capital gains that are included in AGI. For 2004, the deduction is limited to a maximum of \$8,595 for single filers and \$17,190 for joint filers.

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## Choose e-file Instead of Paper Returns

### Get Your Refund Fast!

E-filing eliminates many of the errors that lengthen processing times. See page 2 or visit our Web site at [www.MIfastfile.org](http://www.MIfastfile.org) to find an authorized e-file provider near you, a list of resources offering this service, and information on free e-file services.

### Preparers Required to e-file Returns

Tax preparers who complete more than 200 income tax returns are required to e-file all eligible returns. Ask your tax preparer about e-file or visit our Web site to find a tax preparer who is an authorized e-file provider.

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## Customer Self-Service

Visit our Web site at [www.michigan.gov/iit](http://www.michigan.gov/iit) to access Treasury's new on-line Customer Self-Service. See page 3 for available service options.

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## Filing Extension Granted for Military Personnel Serving in a Combat Zone

United States military personnel serving in a combat zone on April 15, 2004, will be given 180 days after leaving the combat zone to file their federal and state tax returns and will be exempt from penalties and interest. Service men and women serving in combat zones will simply need to print "Combat Zone" in red ink on the top of page 1 of their return. Visit our Web site at [www.michigan.gov/treasury](http://www.michigan.gov/treasury) for more information.

## New Voluntary Contribution for Military Family Relief Fund

Michigan citizens can now contribute to the Military Family Relief Fund on their *Individual Income Tax Return MI-1040*. For more information about this fund and how your contribution is used, see instructions for line 28 on page 13 of this booklet.

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## Changes to Income Tax Forms

Most of the 2004 Michigan tax returns, schedules and credit forms have been redesigned to allow for easier completion and processing. Using the writing style as shown at the top of the MI-1040 will greatly assist in the processing of your return and reduce the likelihood of errors.

Note the following changes to the *Homestead Property Tax Credit Claim MI-1040CR*: (1) Line 6 checkboxes were combined. (2) The FIA/FIP benefit calculation on page 2 was moved to page 22 of the instruction book.

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## Easy to Use Direct Deposit

Direct Deposit your Michigan income tax refund by completing the account information on your *Michigan Individual Income Tax Return MI-1040* (bottom of page 1) or your *Michigan Homestead Property Tax Credit Claim MI-1040CR* (bottom of page 2). Your refund is deposited safely into your bank account and is immediately available. See page 14.

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## Property Tax Credits/Refunds

### A reminder from the IRS

Michigan homestead property tax credit and homestead exemption refunds received in 2004 may be taxable on your 2004 U.S. 1040. If you claimed an itemized deduction for property taxes on your 2003 U.S. 1040 and then received a refund in 2004 from the state or your local unit of government for a portion of those taxes, you must include that refund as income on your 2004 U.S. 1040. If you have questions about the taxability (for federal tax purposes) of the refunds, call the Internal Revenue Service (IRS) at 1-800-829-1040.

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## Use Tax

You may pay use tax that you owe for the 2004 tax year on your 2004 MI-1040, line 29. See page 10 for more information on use tax.

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## What You Should Know About Your Michigan Form 1099-G

If you itemized deductions on your 2003 federal income tax return and received a tax refund, you will be mailed a 2004 Michigan 1099-G form in early 2005 that shows the amount of your 2003 refund that was issued in 2004. The refund amount will include any amounts credited forward to 2004 estimated tax, prior year refunds issued in 2004, refund amounts intercepted by the Department to apply to back tax assessments or other state debts (such as child support), and any portion of a refund assigned to pay use tax. The refund amount will not include homestead property tax credits, adoption credits, or other refundable tax credits claimed on the MI-1040.

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### A Note About Debts

Michigan law requires that any money owed to the state and other agencies be deducted from your refund or credit before it is issued. This includes money owed for past-due taxes, school loans, child support due the Friend of the Court, an IRS levy, money due a state agency, a court-ordered garnishment or other court orders. Taxpayers who are married, filing jointly, may receive an *Income Allocation to Non-Obligated Spouse* form (743) after the return is filed. Completing and filing this form may limit the portion of the refund that can be applied to a liability. If Treasury applies all or part of your refund to any of these debts, you will receive a letter of explanation.

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### When You Have Finished

#### Sign your return

Review your return and, if applicable, attach credit forms. Make sure that your name(s), Social Security number(s) and address are on the form.

Your tax preparer must include the name and address of the firm he or she represents, and preparer tax identification number, federal employer identification number, or Social Security number. Check the box to indicate if Treasury may discuss your claim with your preparer.

#### Attachments

Assemble your returns and attachments and staple in the upper left corner. A sequence number is printed in the upper right corner of the following forms to help you assemble them in the correct order behind your MI-1040 form.

- MI-1040 Schedule 1
- Nonresident and part-year resident (Schedule NR)
- Farmland credit (MI-1040CR-5)

- Schedule CR-5
- Property tax credit (MI-1040CR or MI-1040CR-2)
- College tuition credit (Schedule CT)
- Federal schedules (see Table 1, page 6)
- Schedule of Apportionment (MI-1040H)
- Qualified Adoption Expenses (MI-8839)
- Underpayment of Estimated Income Tax (MI-2210)
- Schedule of Withholding (Schedule W)
- Adjustments of Capital Gains and Losses (MI-1040D)
- Adjustments of Gains and Losses From Sales of Business Property (MI-4797)

If you are also filing a home heating credit (MI-1040CR-7) do **not** staple it to your return; fold it and leave it loose in the envelope.

**Important Reminder:** If you do not include all the required attachments with your return, your refund may be reduced, denied, or delayed.

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### Mailing Labels

Review the label on the back cover of this book. If your name and address are correct, place the label on the top of page 1 of your tax return. It is important that you place your label in the space provided. If the information on your label is not correct, do not use the label. Enter the correct information on your return.

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### Where to Mail Your Return

#### Mail refund, credit, or zero due returns to:



Michigan Department of Treasury  
Lansing, MI 48956

Do not mail your 2004 return in the same envelope with a return for years prior to 2004; mail your 2004 return in a separate envelope.

#### If you owe tax, mail your return to:



Michigan Department of Treasury  
Lansing, MI 48929

Make checks payable to "State of Michigan" and print your Social Security number and "2004 income tax" on the front of your check. To ensure accurate processing of your return, send one check for each return type. **Do not** staple your check to your return.



**Point. Click. File.**

Free e-file is  
available. Do you qualify?

**www.Mlfastfile.org**



# Information for All Income Tax Filers

*This booklet is intended as a guide to help you complete your return; it does not take the place of the law.*

*The index for this booklet is inside the back cover (page 47).*

Always complete your federal tax return before your Michigan return. You may file a Michigan return even if you are not required to file a federal return. Keep a copy of your return and all supporting schedules for six years.

## Adjusted Gross Income (AGI)

Throughout this book, we refer to adjusted gross income as AGI. Copy your AGI directly from your U.S. 1040 line 36, or U.S. 1040A, line 21.

## Who Must File a Return

File a return if you owe tax, are due a refund or your AGI exceeds your exemption allowance. You should also file a Michigan return if you file a federal return, even if you do **not** owe Michigan tax. This will eliminate unnecessary correspondence from Treasury.

If your parents (or someone else) can claim you as a dependent on their return and your AGI is \$1,500 or less if single or married filing separately, or \$3,000 or less if married filing jointly, you do not need to file a return unless you are claiming a refund of withholding. If single or married filing separately and your AGI is over \$1,500; or if married filing jointly and your AGI is over \$3,000, you must file a return. See instructions on page 11.

**Important:** If your income subject to tax (line 14) is less than your personal exemption allowance (line 15) and Michigan income tax was withheld from your earnings, you must file a return to claim a refund of the tax withheld.

## Who Must File a Joint Return

File a joint Michigan return if you filed a joint federal return. If you filed separate federal returns, you may file separate or joint Michigan returns. You may file a joint return only with your spouse.

**Note:** File as “single” only if you are **not** married, widowed, divorced or separated under court order.

## Rounding Dollar Amounts

Round down amounts less than 50 cents. Round up amounts of 50 through 99 cents. Do **not** enter cents.

## When to File Your Return

Your return must be postmarked no later than April 15, 2005. Payment must be included with your return.

Make your check payable to “State of Michigan” and write your Social Security number(s) and “2004 income

tax” on the front of the check. You will be charged penalty and interest on tax not paid by April 15, 2005.

If you cannot file before the due date and you owe tax, you may file an *Application for Extension of Time to File Michigan Tax Returns* (Form 4) with your payment. See page 7.

## Penalty and Interest Added for Filing and Paying Late

If you file and pay late, Treasury will add a penalty of 5 percent of the tax due. After the second month, penalty will increase by an additional 5 percent per month, or fraction thereof, up to a maximum of 25 percent of the tax due. If you pay late, you must add penalty and interest to the amount due. The interest rate through June 30, 2005 is 5.2 percent. For interest rates after June 30, 2005, visit our Web site at [www.michigan.gov/treasury](http://www.michigan.gov/treasury) or call 1-800-827-4000.

## TABLE 1 - FEDERAL SCHEDULES

Taxpayers who file any of the following schedules or forms with their federal return must attach a copy to their Michigan income tax return:

Schedule B .....	Interest and Dividend Income (if over \$5,000)
Schedule C or C-EZ .....	Profit or Loss From Business
Schedules D & 4797 .....	Capital and Ordinary Gains and Losses
Schedule E .....	Supplemental Income and Loss
Schedule F .....	Farm Income and Expenses
Schedule R or 1040A, Schedule 3 .....	Credit for the Elderly or Disabled
Form 1040NR .....	Nonresident Alien Income Tax Return
Form 2555 .....	Foreign Earned Income
Form 3903 or 3903-F .....	Moving Expenses
Form 4868 .....	Application for Automatic Extension of Time to File U.S. Individual Income Tax Returns
Form 6198 .....	Computation of Deductible Loss From Activity Described in IRC Section 465(c)
Form 8829 .....	Expenses for Business Use of Your Home
Form 8839 .....	Qualified Adoption Expenses

The above schedules and forms must report the location of the business activity or the location of any real property involved. Schedules showing rental of personal property must report where the property is being used. If you do not attach these schedules, processing of your return may be delayed or your credit/subtraction may be denied.

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# Special Situations

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## Extensions

To request more time to file your Michigan tax return, send a payment of your estimated tax to Treasury with a copy of your approved federal extension (U.S. 4868) on or before the original due date of your return. Treasury will extend the due date to your new federal due date. If you do not have a federal extension, file an *Application for Extension of Time to File Michigan Tax Returns* (Form 4) with your payment. Treasury will **not** notify you of approval. **Do not file an extension if you will be claiming a refund.**

**An extension of time to file is NOT an extension of time to pay.** If you do not pay enough with your extension request, you must pay interest on the unpaid amount. Compute interest from the original due date of the return. Interest is 1 percent above the prime rate and is adjusted on July 1 and January 1.

You may be charged a penalty of 10 percent or more if the balance due is not paid with your extension request.

When you file your MI-1040 return, include on line 35 the amount of tax you paid with your extension request. Attach a copy of your federal or state extension to your return.

**Note:** If you requested and received an e-filed or TeleFiled federal extension, you must attach your paper U.S. 4868 form to the MI-1040. If you e-filed your MI-1040 return and you e-filed or TeleFiled your federal extension, you must send us a completed paper U.S. 4868 form.

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## 2005 Estimate Payments

Usually, you must make estimate income tax payments if you expect to owe more than \$500 when you file your 2005 MI-1040. This is after crediting your property tax and farmland preservation credits and amounts you paid through withholding.

Common income sources which make estimate payments necessary are self-employment income, salary and wages if you do not have enough tax withheld, tips, lump sum payments, unemployment benefits, dividend and interest income, income from the sale of property (capital gains), and rental income.

You may ask your employer to increase your withholding to cover the taxes on other types of income.

Estimate payments are due April 15, 2005; June 15, 2005; September 15, 2005; and January 17, 2006. If you are a fiscal-year filer, the due dates are the same as your federal estimate payment due dates.

If you filed estimates for 2004, Treasury will send you personalized forms for 2005. Otherwise, request *Michigan Estimated Income Tax for Individuals* MI-1040ES (see page 3).

**Exceptions:** If you owe more than \$500, you may not have to make estimate payments if you expect your 2005 withholding and credits to be at least:

- 90 percent of your total 2005 tax, **or**
- 100 percent of your total 2004 tax.

Total 2004 tax is the amount on 2004 Form MI-1040, line 27, less the amount on lines 31, 32, 33 and 34.

**Note:** 2005 estimates for taxpayers with 2004 AGI of \$150,000 or more for joint or single filers (\$75,000 or more married filing separate), must equal 90 percent of the current year's liability or 110 percent of the previous year's liability.

**Farmers, fishermen or seafarers** may have to pay estimates, but have different filing options. If at least two-thirds of your gross income is from farming, fishing or seafaring, you may:

- Delay paying your first 2005 quarterly installment (with Form MI-1040ES) until as late as January 17, 2006 and pay the entire amount of your 2005 estimated tax due, **or**
- File your 2005 MI-1040 return and pay the entire amount of tax due on or before March 1, 2006.

You are considered a farmer or fisherman if you file U.S. *Schedule F* or *Schedule C*. Wages earned as a farm employee or from a corporate farm do **not** qualify you for this exception. You are considered a seafarer if your wages are exempt from income tax withholding under Title 46, Shipping, USC, Sec. 11108.

**Late payments or underpayment of estimates.** If you fail to make required estimate payments, pay late or underpay

in any quarter, Treasury may charge penalty and interest. Penalty is 25 percent of the tax due for failing to file estimated payments or 10 percent for failing to pay enough with your estimates. Interest is 1 percent above the prime rate and is computed monthly. The rate is adjusted on July 1 and January 1.

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## Residency

**Resident.** You are a Michigan resident if Michigan is your permanent home. Your permanent home is the place you intend to return to whenever you go away. A temporary absence from Michigan, such as spending the winter in a southern state, does **not** make you a part-year resident.

Income earned by a Michigan resident in a nonreciprocal (See "Reciprocal States" on page 8) state or Canadian province is taxed by Michigan, and may also be taxed by the other jurisdiction. If you pay tax to both, you can claim a credit on your Michigan return. See instructions for line 23 and the example on page 13.

**Part-year resident.** You are a part-year resident if, during the year, you move your permanent home into or out of Michigan. You must pay Michigan income tax on income you earned, received or accrued while living in Michigan.

Use Schedule NR and the following guidelines to help you figure your tax:

- Allocate your income from the date you moved into or out of Michigan.
- Bonus pay, severance pay, deferred income and any other amount accrued while a Michigan resident are subject to Michigan tax no matter where you lived when you received it.
- Deferred compensation reported to you on form 1099R and dividend and interest income are allocated to the state of residence when received.
- Part-year residents who lived in Michigan at least six months of the tax year may qualify for a homestead property tax credit (see page 19).

**Nonresident.** Use Schedule NR to figure your Michigan taxable income. You must pay Michigan income tax on the following types of income:

- Salary, wages and other employee compensation for work performed in Michigan, unless you live in a state covered by a reciprocal agreement (see “Reciprocal States” below)
- Net rents and royalties from real and tangible personal property in Michigan
- Capital gains from the sale or exchange of real property located in Michigan, or of tangible personal property located in Michigan
- Patent or copyright royalties if the patent or copyright is used in Michigan or if you have a commercial domicile in Michigan
- Income (including dividend and interest income) from an S corporation, partnership or an unincorporated business or other business activity in Michigan
- Lottery winnings
- Prizes won from casinos or licensed horse tracks located in Michigan. Non-residents from reciprocal states must also declare these prizes as taxable.

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## Reciprocal States

**Illinois, Indiana, Kentucky, Minnesota, Ohio and Wisconsin** have reciprocal agreements with Michigan. Michigan residents pay only Michigan income tax on their salaries and wages earned in any of these states. A Michigan resident can file a withholding form with an employer in a reciprocal state to claim exemption from that state’s income tax withholding. The out-of-state income might make Michigan income tax estimate payments necessary. Residents of reciprocal states working in Michigan do **not** have to pay Michigan tax on salaries or wages earned in Michigan but do have to pay Michigan tax on business income earned from business activity in Michigan. A resident of a reciprocal state who claims a refund of Michigan withholding tax must file a *Michigan Nonresident and Part-Year Resident Schedule* (Schedule NR).

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## Deceased Taxpayers

A **personal representative** for the estate of a taxpayer who died in 2004 (or 2005 before filing a 2004 return) must file if the taxpayer owes tax or is due a refund. A full-year exemption is allowed for a deceased taxpayer on the 2004 MI-1040. Use the deceased’s Social Security number and **your** address. If the taxpayer

died after December 31, 2003, check the appropriate box(es) in the “Deceased Taxpayers” section on the bottom of page 2 on form MI-1040.

The **surviving spouse** may file a joint return for 2004. Write your name and the deceased’s name and both Social Security numbers on the MI-1040. Write “DECD” after the deceased’s name. You must report the deceased’s income. Sign the return. In the deceased’s signature block, write “Filing as surviving spouse.” If the taxpayer died after December 31, 2003, check the appropriate box(es) on page 2 of the MI-1040 form. See “Deceased Taxpayer Chart of Examples” on page 43, example A.

If filing as a **personal representative** or **claimant** and you are claiming a refund of a **single** deceased taxpayer, you must attach a *Statement of Person Claiming Refund Due a Deceased Taxpayer* (U.S. 1310) or *Michigan Claim for Refund Due a Deceased Taxpayer* (MI-1310). Enter the deceased’s name in the Filer’s Name field and the representative’s or claimant’s name in the Spouse’s Name field. See “Deceased Taxpayer Chart of Examples” on page 43, examples B or C.

If filing as a **personal representative** or **claimant** of a deceased taxpayer(s) for a **jointly** filed return, you must attach a *Statement of Person Claiming Refund Due Deceased Taxpayer* (U.S.1310) or *Michigan Claim for a Refund Due a Deceased Taxpayer* (MI-1310). Enter the names of the deceased persons in the Filer’s and Spouse’s Name fields and the representative’s or claimant’s name, title and address in the Home Address field. See “Deceased Taxpayer Chart of Examples” on page 43, examples D or E.

For information about filing a credit claim, see “Deceased Claimant’s Credit” on page 19.

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## Amended Returns

If you need to make a correction to your return, file an *Amended Michigan Individual Income Tax Return MI-1040X*. If you are due a refund on your amended return, you must file it within four years of the due date of the original return.

If a change on your federal return affects Michigan taxable income, you must file an MI-1040X within 120 days of the change. Include payment of any tax and interest due.

You can amend a homestead property tax credit or farmland preservation credit claim by filing a revised claim form clearly marked “amended.” Attach a completed MI-1040X to the front of the amended credit form.

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## Net Operating Losses

If you have a federal net operating loss deduction, you must add back the federal deduction on your MI-1040 *Schedule 1*, line 6, to the extent included in federal AGI. A subtraction for a Michigan net operating loss deduction may be claimed on Schedule 1, line 19, and is calculated on page 1 of *Application for Michigan Net Operating Loss Refund MI-1045*. Compute your Michigan net operating loss and Michigan net operating loss deduction by completing the MI-1045. File an MI-1045 to claim a refund for a carryback deduction. Returns for tax years affected by carryforward deductions must have Form MI-1045 attached to substantiate the deduction.

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## Repayments of Income Reported in a Prior Year

If you had to repay an amount of money in 2004 which you claimed as income in a previous year (e.g., unemployment benefits), you may be entitled to a credit on your 2004 return for the tax paid in an earlier year.

If the subtraction of repayment was included in arriving at AGI, no additional credit is allowed on the Michigan return because your income for the year has been reduced by the repayment amount. If the amount of the repayment was deducted on U.S. *Schedule A* or a credit was claimed on U.S. *1040*, line 69, a credit will be allowed on the Michigan return.

To compute your Michigan credit, multiply the amount you repaid in 2004 by the tax rate which was in effect the year you paid the tax. Then add the amount of the credit to the Michigan tax withheld on your MI-1040, line 34. Write “Claim of Right/Repayment” next to line 34.

Attach a schedule showing the computation of the Michigan credit, proof of the repayment, and the portion of your federal return showing the deduction or credit claimed.



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# Summary of Income Tax Credits, Subtractions and Additions

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Below is a summary of income tax credits and subtractions available to taxpayers. Also included is a summary of additions to provide a complete list of changes that may affect your refund or tax due. Detailed information for each is provided on the page number indicated below.

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## CREDITS

*The following credits may be claimed on your MI-1040 Individual Income Tax Return. The line reference follows the credit listed below.*

<u>Nonrefundable Credits</u>	<u>Page No.</u>
City Income Tax Credit (19) .....	11-12
Public Contribution Credit (20) .....	12
Community Foundation Credit (21) .....	12
Homeless Shelter/Food Bank Credit (22) .....	12
Taxes paid to government units outside Michigan (23) .....	12-13
Historic Preservation Tax Credit (24) .....	13
College Tuition and Fees Credit (25) .....	13
<u>Refundable Credits</u>	
Homestead Property Tax Credit (31) .....	13
Farmland Preservation Tax Credit (32) .....	13
Qualified Adoption expenses (33) .....	13

*The following credit is claimed on the MI-1040CR-7 Home Heating Credit Claim form.*

Home Heating Credit ..... See MI-1040CR-7 Instruction Book

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## SUBTRACTIONS

*The following subtractions are claimed on your MI-1040 Schedule 1; total subtractions are carried forward to the MI-1040, line 13. The Schedule 1 line reference follows the subtraction listed below.*

	<u>Page No.</u>
Income from U.S. government obligations (Series EE Bonds, Treasury notes, etc.) (8) .....	15
Compensation received for active duty in U.S. Armed Forces (9) .....	15
Gains from federal column of Michigan MI-1040D and MI-4797 (10) .....	15
Income attributable to another state (11) .....	15
Qualifying retirement and pension benefits (12) .....	15-16
Dividends, interest and capital gains for senior citizens (13) ...	16
Taxable Social Security and Tier 1 railroad benefits (14) .....	16
Renaissance zone deduction (15) .....	16
Michigan state and city income tax refunds and homestead property tax credit refunds (16) .....	16
Contributions made to accounts established through the Michigan Education Savings Program (MESP) (17) .....	16
Contract price for a Michigan Education Trust (MET) contract (18) .....	16

Contributions to national or Michigan political parties or candidates (19) .....	16
Benefits from a discriminatory self-insured medical expense reimbursement plan (19) .....	16
Proceeds and prizes won in a Michigan regulated bingo, raffle or charity games (19) .....	16
Salary and wage expense that cannot be deducted on your federal return because you are claiming a work opportunity credit, clinical testing (orphan drug) credit or research credit (19) .....	16
Losses from disposal of property (19) .....	16-17
Amount used to determine the credit for elderly or totally and permanently disabled (19) .....	17
Michigan net operating loss deduction (19) .....	17
Gross income included in AGI from Michigan gas and oil royalty interest or working interest (19) .....	17
Distributions from individual retirement accounts used to pay qualified higher education expenses (19) .....	17
Holocaust victim payments (19) .....	17
Distribution from a pension or retirement plan that is contributed to a qualifying charitable organization (19) .....	17

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## ADDITIONS

*The following additions are claimed on your MI-1040 Schedule 1; total additions are carried forward to the MI-1040, line 11. The Schedule 1 line reference follows the addition listed below.*

	<u>Page No.</u>
Gross interest, dividends and income from obligations or securities of states and their political subdivisions other than Michigan (1) .....	14
Deduction taken on your federal return for self-employment tax or other taxes on or measured by income (2) .....	14
Capital gains from the Michigan column of the MI-1040D or MI-4797 (3) .....	14
Certain losses from a business or property located in another state (4) .....	14
Net loss from the federal column of your Michigan MI-1040D, line 15, or MI-4797, line 18b (5) .....	14
Money withdrawn in the tax year from an MESP account if the withdrawal was not a qualified withdrawal as provided in the MESP Act (6) .....	15
Net operating loss deduction used to reduce AGI (6) .....	15
Refund received from a MET contract (6) .....	15
Amount paid by MET to repay the portion of certain defaulted loans (6) .....	15

# Use Tax

If you have paid the tax for your out-of-state purchases, check Box "a" on your 2004 MI-1040, line 29. If you are unsure, read the following.

Every state that has a sales tax has a companion tax for purchases made outside that state, by catalog or over the Internet. In Michigan, that companion tax is called the "use tax," but might be described more accurately as a remote sales tax because it is a 6 percent tax owed on purchases made outside of Michigan.

You owe tax on purchases for "storage, use or consumption in Michigan of tangible personal property" from companies that do not collect Michigan sales or use tax. This includes mail order and Internet purchases as well as purchases while traveling in foreign countries and other states. You do not have to pay Michigan use tax if:

- Michigan sales or use tax was paid to the seller, or
- The seller charged another state's sales tax (including local sales taxes) of at least 6 percent on purchases, or
- Purchases made outside Michigan in a calendar month did not exceed \$10. If total purchases for the month exceed \$10, then all purchases are subject to tax.

Use tax must be paid on the total price (including shipping and handling charges) of all taxable items purchased from out-of-state retailers who do not collect Michigan tax.

## Examples of Taxable Items

Examples of purchases subject to use tax, only if you have not already paid a tax of at least 6 percent, include Internet, mail order, or out-of-state catalog purchases and purchases made while traveling in another state and/or foreign country.

**Note:** No credit is given for tax paid on purchases made in a foreign country. Use tax is owed when the item is brought into Michigan.

## Purchases from Out-of-State Businesses

An out-of-state business that does not have a store, warehouse or employees in Michigan does not have to register and collect Michigan use tax. However, many out-of-state businesses voluntarily collect use tax for their customers. Michigan tax must be itemized separately on the out-of-state seller's invoice.

## How to Pay Use Tax

You may pay use tax on your MI-1040. Use Worksheet 1 to calculate your tax. Check the box on line 29 that applies to your situation and enter the amount of tax due, if any, on line 29.

## Worksheet Calculation

**Line 1:** For purchases under \$1,000, if you know the amount, multiply your total purchases times 6 percent (.06) and enter the amount on Line 1.

**OR,** for purchases under \$1,000, if you have incomplete or inaccurate receipts to calculate your purchases, you may use Table 2-Use Tax to estimate your taxes. (See the example.)

Line 1 should contain a number unless you made no purchases under \$1,000 subject to the use tax.

**Line 2:** In all cases, if a single purchase exceeds \$1,000, you must pay 6 percent use tax on those purchases.

**Line 3:** Total Use Tax due (total of Line 1 and Line 2).

## WORKSHEET 1 - USE TAX

**Line 1:** Itemized purchases under \$1,000 x 6 percent (.06) **OR**  
Use Tax Table amount . . . . \$\_\_\_\_\_

**Line 2:** Single purchases each over \$1,000 x 6 percent (.06) . . . . \$\_\_\_\_\_

**Line 3:** Total Use Tax Due (total of Line 1 and Line 2) . . . . \$\_\_\_\_\_

Enter amount from Line 3 above on your 2004 MI-1040, line 29, and check **box "b."**

**Example:** Kurt ordered a computer from a catalog retailer in New York for \$1,437.50. Kurt also purchased items over the Internet for less than \$1,000 during the year, but lost his receipts. He is sure he did not pay Michigan sales tax. Kurt's AGI is \$46,500. Kurt would complete Worksheet 1 as follows:

Line 1: Kurt selects \$23 from the table based on his AGI \$23.00

Line 2: Kurt enters  
\$1,437.50 x 6 percent \$86.25

Line 3: Total use tax due \$109.25

Kurt would enter \$109 (no cents) on his 2004 MI-1040, line 29, and check **box "b."**

Using Table 2 - Use Tax to estimate your taxes does not preclude the Michigan Department of Treasury from auditing your account. If additional tax is due, you may receive an assessment for the amount of the tax owed, plus applicable penalty and interest.

For more information see our Web site at: [www.michigan.gov/treasury](http://www.michigan.gov/treasury)

## TABLE 2 - USE TAX

### "Remote Sales"

Adjusted Gross Income*	Tax
\$0-\$10,000 .....	\$3
\$10,001-\$20,000 .....	\$8
\$20,001-\$30,000 .....	\$13
\$30,001-\$40,000 .....	\$18
\$40,001-\$50,000 .....	\$23
\$50,001-\$75,000 .....	\$31
\$75,001-\$100,000 .....	\$44
Above \$100,000 .....	Multiply AGI by 0.05% (.0005)

\* Adjusted Gross Income from MI-1040, line 10

## Point. Click. File.



Free e-file is  
available--do  
you qualify?

[www.MIfastfile.org](http://www.MIfastfile.org)

# Line-by-Line Instructions for Form MI-1040

Lines not listed are explained on the form.

**Line 1:** Only married filers may file joint returns.

**Lines 2 and 3:** Write your Social Security number(s) here even if you use a label.

**Line 5: State Campaign Fund.** These funds are disbursed only to candidates for governor, regardless of political party, who agree to limit campaign spending and meet the campaign fund requirements. Choosing "Yes" will not raise your tax or reduce your refund.

**Line 6:** Only farmers, fishermen and seafarers should check this box. (For estimate filing information, see pg. 7.)

**Line 7: Filing Status.** Check the box to identify your filing status. If you file a joint federal return, you must file a joint Michigan return. Married couples who file separate federal returns may file a separate or joint Michigan return. If you are claiming a homestead property tax credit or other tax credits, it may be easier to file a joint Michigan return because total (joint) household income is the basis for computing these credits. If your status is married, filing separately (box c), write your spouse's full name in the space provided and be sure to write his or her Social Security number on line 3. If you filed your federal return as head of household or qualifying widow(er), you must file the Michigan return as single.

**Line 8: Residency.** Check the box that describes your Michigan residency for 2004. If you and your spouse had a different residency status during the year, check a box for each of you. Both part-year residents and nonresidents must file *Schedule NR*. (For definition of residency, see page 7.)

**Line 9: Exemptions.** Use this line to compute the exemption amount for your federal exemptions plus your Michigan special exemptions.

**a) and b)** If your parents (or someone else) can claim you as a dependent on

their return, check the box and complete Worksheet 2 below.

**c)** See Worksheet 2 below.

**d)** Enter the number of exemptions you claimed on your U.S. 1040 or 1040A, line 6d. These exemptions are for you, your spouse (if filing jointly) and your dependents.

Multiply the number of exemptions by your exemption allowance of \$3,100 and enter that amount in the box.

**Special exemptions.** Complete the lines that apply to you, your spouse or dependents as of December 31, 2004. If your dependent files an annual return, you and your dependent may not both claim the special exemption.

**e)** Age 65 or older. You are considered age 65 the day before your 65th birthday. If you claim this exemption, you may **not** claim an exemption as totally and permanently disabled.

**f)** Deaf, Blind or Disabled. You qualify for this exemption if you are deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled. Deaf means the primary way you receive messages is through a sense other than hearing, for example lip reading or sign language. Blind means your better eye permanently has 20/200 vision or less with corrective lenses, or your peripheral field of vision is 20 degrees or less. Totally and permanently disabled means disabled

as defined under Social Security Guidelines 42 USC 416. If you are age 65 or older, you may **not** claim an exemption as totally and permanently disabled. You may claim only one exemption per person in this category.

**g)** Child 18 and Under. Enter \$600 for each child 18 and under as of December 31, 2004 whom you claim as a dependent.

**h)** Unemployment compensation. Check this box if 50 percent or more of your combined AGI (MI-1040, line 10) is from unemployment compensation. If you checked the box, enter \$2,000 in the space provided.

**Line 10: Adjusted Gross Income.** Enter your AGI from your federal return. This is the amount from your U.S. 1040, line 36, or U.S. 1040A, line 21. You must attach copies of federal schedules that apply to you (see Table 1 on page 6). For Michigan adjustments to AGI, see Form MI-1040 *Schedule 1*, page 31. Instructions for completing *Schedule 1* begin on page 14.

**Line 17: Tax.** Multiply the amount on line 16 by 3.95 percent (.0395). Enter here and on line 18.

**Line 19: City Income Tax Credit.** Everyone who pays Michigan income tax is allowed **partial** credit for income tax paid to Michigan cities. Use Worksheet 3 to compute the credit.

**19a:** Enter your net city income tax paid in 2004 from Worksheet 3, line F.

## WORKSHEET 2

### FILER ELIGIBLE TO BE CLAIMED AS A DEPENDENT

Is your adjusted gross income (from your federal return) over \$1,500 if single or married filing separately, or over \$3,000 if married filing jointly?

☐ YES. If single or married filing separately, enter "0" on line 9d and \$1,500 on line 9c.

☐ YES. If married and both you and your spouse can be claimed as dependents, enter "0" on line 9d and \$3,000 on line 9c.

☐ YES. If married and only one of you can be claimed as a dependent, enter "1" on line 9d, \$3,100 on line 9d, and \$1,500 on line 9c.

☐ NO. Then was Michigan income tax withheld from your wages?

☐ YES. Enter "0" on lines 9i and 27, and complete line 10 and lines 28 through 40.

☐ NO. You do not need to file this return.

**19b:** Enter your city income tax credit. Use Worksheet 3 below to compute the credit.

**Line 20: Public Contribution Credit.** A **partial** income tax credit can be claimed for donations to a qualifying Michigan public institution. The credit is based on cash or the value of the item(s) donated. Values claimed must be supported by written appraisals, trade journals, etc., or by an itemized receipt.

Gifts qualify for credit if given to:

- Michigan colleges or universities and their fund-raising organizations
- The Michigan Colleges Foundation
- The State Art in Public Places Fund
- The Michigan Historical Museum
- Michigan public libraries
- Michigan public broadcasting stations
- A Michigan municipality or a nonprofit corporation affiliated with a Michigan municipality for an art institute in that municipality or to benefit the art institute (art institutes are those whose primary function is the displaying and teaching of visual arts)
- The State of Michigan for the preservation of state archives

Artwork created by the taxpayer also qualifies for credit if given to:

- The State of Michigan for display in a public place
- A Michigan municipality for public display.

Artwork is an original visual creation of quality in any size or shape, in any media, using any materials. Its fair market value must be determined by an independent appraiser when donated.

**20a:** Enter the total amount of public contributions.

**20b:** Enter the credit which is the **smaller** of:

- 50 percent of the contribution reported on line 20a, or
- \$100 (\$200 for a joint return).

**Line 21: Community Foundations Credit.** A **partial** income tax credit can be claimed when you donate to an endowment fund of one of the certified community foundations or component funds listed on page 44. Enter the code number in the box on

line 21. For individuals who contributed to more than one community foundation, enter the number of one foundation and attach a list indicating the others. You must enter a valid code to receive credit.

**21a:** Enter the total of all contributions.

**21b:** Enter the credit which is the **smaller** of:

- 50 percent of the contribution reported on line 21a, or
- \$100 (\$200 for a joint return).

**Line 22: Homeless Shelter/Food Bank Credit.** A **partial** income tax credit can be claimed when a **donation** is made by cash or check to a qualifying shelter for homeless persons, a food bank, a food kitchen, or other entity whose **primary** purpose is to provide overnight accommodation, food, or meals to indigent persons. Donations to organizations such as secondhand stores and churches that provide other services or shelter and food as a secondary purpose do **not** qualify for this credit. Contributions qualifying for this credit must be all of the following:

- Cash or check;
- Made to organizations located in **Michigan** whose **primary** purpose is

to provide food and/or shelter to indigent persons; **and**

- Deductible as a charitable contribution under the IRC.

**22a:** Enter the total cash contributions.

**22b:** Enter the credit which is the **smaller** of:

- 50 percent of the contribution reported on line 22a, or
- \$100 (\$200 for a joint return).

**Note:** Contributions designated for a “qualifying organization” (community foundation, homeless shelter, or food bank) and made through United Way also qualify for this credit. If the credit is for a community foundation, be sure to enter the appropriate two-digit code number on your MI-1040 (see page 44).

**Note:** Treasury may request receipts for credits claimed on lines 20, 21 and 22. Cancelled checks will not be accepted in place of receipts.

**Line 23: Credit for Income Tax Imposed by Government Units Outside Michigan.** Include the amount of income tax paid to:

- A nonreciprocal state (see page 8)
- A local government unit outside Michigan, including tax paid to local units located in reciprocal states

WORKSHEET 3 - CITY INCOME TAX CREDIT			
<b>To Determine Net City Income Tax</b>			
Step 1	A. City income tax withheld from wages in 2004 (from your W-2, box 19, or Schedule W, Table 1, Column F) .....	+	..... .00
	B. Amount of tax paid with a Michigan city income tax return filed in 2004 (do <b>not</b> include penalty and interest) .....	+	..... .00
	C. Estimated city income tax payments paid in 2004 .....	+	..... .00
	D. <i>Subtotal.</i> Add lines A - C .....	=	..... .00
	E. City income tax refund(s) received in 2004 .....	-	..... .00
	F. <b>Total Net City Income Tax Paid</b> Subtract line E from line D. Carry to line 19a .....	=	..... .00
<b>To Determine Your City Income Tax Credit</b> <b>If Your Total Net City Income Tax Paid (MI-1040, line 19a) is:</b>			
	\$100 or less	\$101 through \$150	\$151 or more
Step 2	Net city income tax paid .....	Net city income tax paid .....	Net city income tax paid .....
	..... .00	..... .00	..... .00
	Multiply .....	Subtract .....	Subtract .....
	x ..... .20	- \$100.00	- \$150.00
	<b>CREDIT.</b> Carry to line 19b .....	<i>Subtotal</i> .....	<i>Subtotal</i> .....
	..... .00	..... .00	..... .00
	Multiply .....	Multiply .....	Multiply .....
	x ..... .10	x ..... .05	x ..... .05
	<i>Subtotal</i> .....	<i>Subtotal</i> .....	<i>Subtotal</i> .....
	..... .00	..... .00	..... .00
<b>Round all amounts to the nearest dollar.</b>		Add .....	Add .....
Add .....		+ 20.00	+ 25.00
<b>Credit cannot be more than \$10,000.00</b>		<b>CREDIT.</b> Carry to line 19b .....	<b>CREDIT.</b> Carry to line 19b .....
		..... .00	..... .00



- The District of Columbia
- A Canadian province.

Include only income tax paid to another government unit(s) on income earned while you were a Michigan resident and taxed by Michigan.

**Attach a copy of the return filed with the other government unit(s) to your MI-1040.**

Do **not** include taxes paid on income you subtracted on lines 8-19 of *MI-1040 Schedule 1* (e.g., rental or business income from another state, part-year resident wages, etc.). If you claim credit for Canadian provincial tax, you must file a *Resident Credit for Tax Imposed by a Canadian Province* (Form 777). Attach copies of your *Canadian Federal Individual Tax Return* (Form T-1), *Canadian Form T-4, Foreign Tax Credit* (U.S. 1116) and U.S. 1040. Your credit is limited to the portion of your Canadian provincial tax not used as a credit on your U.S. 1040.

**23a:** Enter the total income tax paid to other government units. If you paid tax to more than one unit, attach a schedule showing the tax paid to each government unit.

**23b:** Credit amount. If more than one government unit is involved, compute the credit amount for each government unit separately. Then add the individual credit amounts and enter the total on line 23b. Compute your allowable credit as follows:

- Divide your non-Michigan income subject to tax by both states by your total income subject to Michigan tax (line 14); then:
- Multiply the amount of tax shown on line 17 by the result.

Your credit cannot exceed the smaller of: (1) the amount of tax imposed by another government, or (2) the amount of Michigan tax due on salaries, wages and other personal compensation earned in another state. See Example.

**Line 24: Michigan Historic Preservation Tax Credit.** To claim this credit you must submit **all** of the supporting documentation. For a list of required forms see the instructions on

**EXAMPLE: Computing Michigan resident's credit for tax imposed by a government unit outside Michigan.**

Michigan wage .....	\$18,000.00
Wages earned outside Michigan .....	12,000.00
U.S. Government bond interest .....	+ 1,000.00
Adjusted gross income (MI-1040, line 10) .....	31,000.00
U.S. Government bond interest .....	- 1,000.00
Total income subject to tax (MI-1040, line 14) .....	30,000.00
Percent of non-Michigan income to total (\$12,000/\$30,000) .....	40%
Taxpayer has 2 exemptions (2 x \$3,100.00) .....	6,200.00
Taxable Income (MI-1040, line 16) .....	23,800.00
Tax 3.95% (.0395) (MI-1040, line 17) .....	940.00
Tax imposed by a government unit outside Michigan.	
Enter this amount on your MI-1040, line 23a .....	700.00
Credit limit is 40% of 940.00.	
Enter this amount on your MI-1040, line 23b .....	\$ 376.00

the back of the 2004 *Historic Preservation Tax Credit* (Form 3581).

**24a:** Enter the amount from your 2004 Form 3581, line 11.

**24b:** Enter the amount from your 2004 Form 3581, line 12e.

**Line 25:** Enter the college tuition and fees credit from Schedule CT, line 4e.

**Line 28: Military Family Relief Fund.** You may contribute to the Military Family Relief Fund by entering your contribution amount (\$1 minimum) here. This fund provides assistance to qualifying families of military members in either the Michigan National Guard who are serving in the U.S. Armed Forces or those reserve forces called to active duty by the federal government. This will increase your tax due or reduce your refund.

**Line 29: Use Tax.** Check the box that applies to you and enter the appropriate amount on line 29. See use tax information on page 10.

**Line 31:** Property tax credit information begins on page 17.

**Line 32:** Farmland preservation credit applies to farmers only.

**Line 33:** Qualified Adoption Expenses. Enter the amount from your *Michigan Qualified Adoption Expenses* (Form MI-8839), line 10. Attach a complete *Qualified Adoption Expenses* U.S. 8839, and a completed MI-8839.

**Line 34:** Enter the total **Michigan** tax withheld (from your Schedule W). If applicable, include any credit for repayments under the "Claim of Right." See "Repayments of Income Reported in a Prior Year" on page 8.

**Line 35:** Enter the total estimated tax paid with your 2004 *Michigan Estimated Individual Income Tax Vouchers* (Form MI-1040ES), the amount paid with an *Application for Extension of Time to File Michigan Tax Returns* (Form 4), and the amount of your 2003 overpayment applied to this year's tax (from 2003 MI-1040, line 38).

**Line 37: Tax Due.** If line 36 is less than line 30, enter the difference. This is the tax you owe with your return.

You will owe penalty and interest for late payment of tax. Penalty accrues monthly at 5 percent of the tax due, and increases by an additional 5 percent per month, or fraction thereof, after the second month, up to a maximum of 25 percent of the tax due (i.e. penalty on a \$500 tax due will be \$125 if the tax is unpaid for 6 months). See "Penalty and Interest Added for Filing and Paying Late" on page 6. Add penalty and interest to your tax due and enter the total on line 37. If you owe more than \$500 and are required to make estimate payments, see **special note** in the next paragraph. If the balance due is less than \$1, no payment is required, but you must still file your return. See "Pay" address on page 2 of your MI-1040 form.

**Special note for people required to file estimates.** You may owe penalty and interest for underpayment, late payment or for failing to pay estimates. Use the *Underpayment of Estimated Income Tax* (Form MI-2210), to compute penalty and interest. If you do not file an MI-2210, Treasury will compute your penalty and interest and

send you a bill. If you annualize your income, you must complete and attach an MI-2210. Enter the penalty and interest amounts on the lines provided.

**Line 40: Your Refund.** This includes any tax you overpaid and any credits due you. The state does not refund amounts less than \$1. Mail your return to the “Refund, Credit or Zero Returns” address on page 2 of your MI-1040 form.

### Direct Deposit

First check with your financial institution to:

- Ensure it will accept direct deposit;
- Obtain the correct Routing Number and Account Number; and
- If applicable, verify that it will allow a joint refund to be deposited into an individual account.

If we are unable to honor your request for direct deposit, we will send you a check.

**a. Routing Number (RTN).** Enter the nine-digit RTN. The RTN is usually found between the symbols |: and |: on the bottom of your check (see check sample above). The first two digits must be 01 through 12 or 21 through 32.

Richard and Cindy Jones  
123 Main Street  
Anytown, MI 49111

1800

SAMPLE

**ANYTOWN BANK**  
Anytown, MI 49111

Date: \_\_\_\_\_

Routing Number    Account Number

|: 270000065    |: 3000000915    • 01800

\$ \_\_\_\_\_

Dollars

Do not include check number

**b. Account Type.** Check the box for checking or savings.

**c. Account Number.** Enter your bank account number up to 17 characters (both numbers and letters). The account number is usually found immediately to the right of the RTN on the bottom of your check (see check sample above). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave unused boxes blank. Do not include the check number.

### Sign Your Return

Each spouse must sign a joint return. If the preparer is someone other than the taxpayer, he or she must include the name and address of the firm he or

she represents and preparer tax identification or federal employer identification number. Check the box to indicate if Treasury may discuss your return with your preparer.

Attach all your credit claims and required Michigan and federal schedules (see Table 1, page 6). If you owe tax, enclose your payment but do not staple it to the return. Checks stapled to the back of the return may not be seen and may result in improper processing.

**Signing a child's return.** If a return is prepared for a child who is too young to sign it, a parent or guardian should sign the child's name, then add “by (your name), parent (or guardian) for minor child.”

## Line-by-Line Instructions for MI-1040 Schedule 1

Part-year and nonresidents, complete Schedule NR (see page 39) before proceeding.

### Additions to Income

**Line 1:** Enter gross interest, dividends, and income from obligations or securities of states and their political subdivisions other than Michigan. Add this income even if it comes to you through a partnership, S corporation, estate or trust. You may reduce this income by related expenses not allowed as a deduction by Section 265(a)(1) of the IRC.

**Line 2:** Enter the deduction taken for **self-employment tax** on your federal return and for other taxes on or measured by income, such as your

share of city income tax paid by partnerships or S corporations, or your share of the taxes paid by an estate or trust.

**Line 3:** Use Michigan Form **MI-1040D only** if you have capital gains or losses attributable to: (1) an election to use Section 271 treatment for property acquired before October 1, 1967; (2) the sale or exchange of U.S. obligations which cannot be taxed by Michigan; or (3) the sale or exchange of property located in other states.

If you reported gains on U.S. 4797 on property acquired before October 1, 1967, or located in other states, adjust the gain on Michigan Form **MI-4797**. Enter gains from the Michigan column of your MI-1040D, line 14,

and MI-4797, line 18b. Instructions are with each form.

**Line 4:** Enter losses from a business or property located in another state which you own as a sole proprietor, a partner in a partnership, a shareholder in an S corporation, or as a member of a pass-through entity. If your business is taxed by both Michigan and another state, the loss must be apportioned. Attach a *Schedule of Apportionment* (Form MI-1040H).

**Line 5:** Enter the net loss from the federal column of your Michigan MI-1040D, line 15, or MI-4797, line 18b.

**Line 6:** Enter the total of the following (attach a schedule if necessary):

- Add to the extent not included in AGI the amount of money withdrawn in the tax year from a Michigan Education Savings Program (MESP) account if the withdrawal was not a qualified withdrawal as provided in the MESP Act. You may first exclude any amount that represents a return of contributions for which no deduction was claimed in any prior tax year.

- Amount of net operating loss deduction (NOL carryforward) used to reduce AGI (see page 8).

- Refund received from a Michigan Education Trust (MET) contract. If you deducted the cost of a MET contract in previous years and received a refund from MET during 2004 because the MET contract was terminated, then enter the smaller of: (1) the refund you received, **OR** (2) the amount of the original MET contract price (including the application and processing fees) which you deducted in previous years.

If you financed your MET contract with a MET-secured loan, deducted the cost of that contract and then defaulted on the loan, enter the amount paid in 2004 by MET to repay the portion of your defaulted loan.

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### Subtractions From Income

**Note:** Part-year and nonresidents subtract only income attributable to Michigan (column B of *Schedule NR*) on all lines except line 11.

**Line 8:** Enter income from U.S. government obligations (Series EE bonds, Treasury notes, etc.), including income from U.S. government obligations received through a partnership, S corporation or other pass-through entity. This subtraction must be reduced by related expenses used to arrive at AGI.

Investment companies that invest in U.S. obligations are permitted to pass the tax-free exemption to their shareholders.

If income from U.S. government obligations exceeds \$5,000, attach a copy of your U.S. *Schedule B* listing the amounts received and the issuing agency.

Capital gains from the sale of U.S. government obligations must be adjusted on Michigan Form MI-1040D.

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**Line 9:** Enter compensation received for active duty in the U.S. Armed Forces included in AGI. Include military retirement on line 12.

**Note:** Compensation from the U.S. Public Health Service is **not** considered military pay.

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**Line 10:** Enter the gains from the federal column of your Michigan Forms **MI-1040D, line 14, and MI-4797, line 18b**. See instructions for *MI-1040 Schedule 1*, line 3.

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**Line 11: Income Attributable to Another State.** Nonresidents and part-year residents, complete Schedule NR. See instructions on page 40. Attach federal schedules.

Business income that is taxed by Michigan and another state must be apportioned. Complete and attach Form MI-1040H.

Capital gains from the sale of real property or tangible personal property located outside of Michigan must be adjusted on Michigan Form MI-1040D.

Michigan residents cannot subtract salaries and wages or other compensation earned outside Michigan. However, they may be entitled to a tax credit for tax imposed by governmental units outside Michigan (see page 13).

Residents may subtract:

- Business income earned in other states and included in AGI, and
- Net rents and royalties from real property or tangible personal property located or used in another state.

---

**Line 12:** Qualifying retirement and pension benefits included in your AGI may be subtracted from income. The amount you may subtract depends on the source of the benefit. Qualifying benefits include:

- Pension plans that define eligibility for retirement and set contribution and benefit amounts in advance
- Qualified retirement plans for the self-employed

- Distributions from a 401(k) or 403(b) plan attributable to employer contributions or attributable to employee contributions to the extent they result in matching contributions by the employer

- IRA distributions received after age 59½ or described by Section 72(t)(2)(A)(iv) of the IRC

- Benefits from any of the previous plans received due to a disability, or as a surviving spouse if the decedent qualified for the subtraction at the time of death

- Benefits paid to a senior citizen (age 65 or older) from a retirement annuity policy that are paid for life (as opposed to a specified number of years).

You may subtract **all** pension benefits included in AGI and received from the following public sources:

- The State of Michigan
- Michigan local governmental units (e.g., Michigan counties, cities and school districts)
- Tier 2 railroad retirement
- Federal civil service
- Military retirement from the U.S. Armed Forces.

**If all retirement and pension benefits were received from public sources,** enter the total of all benefits on line 12.

**If all retirement and pension benefits were received from private sources,** enter the smaller of:

- The total of all private pensions included in AGI, or
- \$38,550 if you are a single filer, \$77,100 if you are married and filing jointly.

**If you received a combination of public and private retirement and pension benefits,** follow these steps to compute your deduction:

**Step 1:** Add all public retirement benefits included in AGI.

**Note:** If your public retirement benefits are greater than the maximum amounts (\$38,550 single filer or \$77,100 married filing jointly) you are not entitled to claim a subtraction for private pensions.



**Step 2:** If you are a single filer, deduct the amount in step 1 from \$38,550. If you are married filing jointly, deduct the amount in step 1 from \$77,100.

**Step 3:** Add all private pensions included in AGI.

**Step 4:** Determine which is smaller, the amount computed in step 2 or the amount computed in step 3.

**Step 5:** Add the amount computed in step 1 to the amount determined in step 4 and enter the total on line 12. See Example A on the back of *Schedule 1* on page 32.

**You may not subtract:**

- Amounts received from a deferred compensation plan that lets the employee set the amount to be put aside and does not set retirement age or requirements for years of service. These plans include, but are not limited to, plans under Sections 401(k), 457 and 403(b) of the IRC.
- Amounts received before the recipient could retire under the plan provisions, including amounts paid on separation, withdrawal or discontinuance of the plan.
- Amounts received as early retirement incentives, unless the incentives were paid from a pension trust.

**Line 13: Senior citizens** (age 65 or older) may subtract interest, dividends and capital gains included in AGI. This subtraction is limited to a maximum of \$8,595 on a single return or \$17,190 on a joint return. However, the maximum must be reduced by the pension subtraction. See Example B on the back of *Schedule 1* on page 32.

**Line 14:** Enter only the taxable portion of Social Security and Tier 1 railroad benefits included on your U.S. 1040, line 20b, or your U.S. 1040A, line 14b. Do not include your total Social Security benefits.

**Line 15: Renaissance zone deduction.** To be eligible you must meet all the following requirements:

- Be a permanent resident of a renaissance zone for at least 183 consecutive days.
- Be approved at your local level.

- Must not be delinquent for any state or local taxes abated by the Renaissance Zone Act.
- Must file an MI-1040 each year.
- Have gross income of not more than \$1 million.

If you were a full-year resident of a renaissance zone, you may subtract all income earned or received. Unearned income such as capital gains may have to be prorated. If you lived in the zone at least 183 consecutive days during 2004, you may subtract the portion of income earned while a resident of the zone. If you are a part-year resident of a zone, you must complete and attach a *Schedule NR* to your MI-1040. (See “Special Note” on the back of *Schedule NR*, page 40.)

For additional information regarding qualifications for the renaissance zone deduction, call the Michigan Economic Development Corporation at 517-373-9808.

You may also call the Michigan Tele-Help System (1-800-827-4000) and listen to topic #293.

**Line 16:** You may subtract Michigan state and city income tax refunds and homestead property tax credit refunds that were included in AGI.

**Note to farmers:** You may subtract (to the extent included in AGI) the amount that your state or city income tax refund and homestead property tax credit exceeds the business portion of your homestead property tax credit.

**Line 17: Michigan Education Savings Program.** You may deduct to the extent not deducted in calculating AGI, the following:

- The total of all contributions less qualified withdrawals made during 2004 by the taxpayer in the tax year to accounts established through the MESP. The deduction may not exceed \$5,000 for a single return or \$10,000 for a joint return per tax year. There are numerous education savings accounts available from other states and investment companies, but Michigan only allows a tax deduction for contributions to accounts established through MESP.

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**Line 18: Michigan Education Trust.**

You may deduct the following:

- If you purchased a MET contract during 2004, you may deduct the total contract price (including the enrollment fee).
- If you purchased a MET payroll deduction or monthly purchase contract, you may deduct the amount paid on that contract during 2004 (not including fees for late payments or insufficient funds). You should receive an annual statement from MET specifying this amount.
- If you purchased a MET contract between 1988 and 1990 with a MET-secured loan and have not deducted the total contract price, you may deduct the principal amount paid on the secured loan during 2004.
- The amount included in AGI as income to the purchaser because the MET contract was terminated.

---

**Line 19: Miscellaneous subtractions** include:

- Any part of a qualified withdrawal from an MESP account included in AGI.
- Contributions to national or Michigan political parties or candidates. The maximum deduction is \$50 on a single return and \$100 on a joint return.
- Benefits from a discriminatory self-insured medical expense reimbursement plan, to the extent these reimbursements are included in AGI.
- Proceeds and prizes included in AGI won in State of Michigan regulated bingo, raffle or charity games.
- Amount of salary and wage expense that cannot be deducted on your federal return because you are claiming a work opportunity credit, clinical testing (orphan drug) credit or research credit. Attach a copy of U.S. *Work Opportunity Credit* (Form 5884), *Credit for Increasing Research Activities* (Form 6765), or *Orphan Drug Credit* (Form 8820) to substantiate this subtraction.
- Losses from the disposal of property reported in the Michigan column of Michigan Form MI-1040D, line 15, or MI-4797, line 18b.



- Amount used to determine the credit for elderly or totally and permanently disabled from U.S. 1040 *Schedule R*, line 19, or U.S. 1040A *Schedule 3*, line 19.
- Michigan net operating loss deduction. Attach Form MI-1045. See page 8.
- Gross income included in AGI from Michigan gas and oil royalty interest or working interest.
- The amount of a distribution from individual retirement accounts that qualify under section 408 of the IRC if the distribution is used to pay qualified higher education expenses (tuition, books, fees, etc.) at a postsecondary educational institution.
- Holocaust victim payments.

- Distribution from a pension or retirement plan that is contributed to a qualifying charitable organization. To qualify, you must make the payment to the charity within 60 days of receiving the distribution, and reduce the amount of the contribution by any pension subtraction taken and two times the total amount of credits claimed for a public contribution credit, homeless shelter/food bank credit and the community foundation credit.

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**You may not subtract:**

- Itemized deductions from U.S. *Schedule A*.
- Sick pay, disability benefits and wage continuation benefits paid to

you by your employer or by an insurance company under contract with your employer.

- Unemployment benefits included in AGI, except railroad unemployment benefits.
- Distributions from a deferred compensation plan received while a resident of Michigan.
- Lottery winnings. (Exception: installment payments from prizes won on or before December 30, 1988 may be subtracted.)

**Note:** You must include your installment gross winnings as reported on your W-2G form, box 1, and show on your Schedule W, Table 1, in the appropriate box.

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## General Information - Homestead Property Tax Credit (MI-1040CR)

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The request for your Social Security number is authorized under USC Section 42. Social Security numbers are used by the Michigan Department of Treasury to conduct matches against benefit income provided by the Social Security Administration and other sources to verify the accuracy of the home heating credit and property tax credit claims filed and to deter fraudulent filing(s).

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### Who May Claim a Property Tax Credit

You may claim a property tax credit if all of the following apply:

- Your homestead is located in Michigan.
- You were a Michigan resident at least six months of 2004.
- You pay property taxes or rent on your Michigan homestead.

You can have only one **homestead** at a time, and you must be the occupant as well as the owner or renter. Your homestead can be a rented apartment or a mobile home on a lot in a mobile home park. A vacation home or income property is **not** considered your homestead.

Your homestead is in your state of **domicile**. Domicile is the place where you have your permanent home. It is the place you plan to return to

whenever you go away. Even if you spend the winter in a southern state, your domicile is still Michigan. College students and others whose permanent homes are not in Michigan are **not** Michigan residents. Domicile continues until you establish a new permanent home.

Property tax credit claims may **not** be submitted on behalf of minor children.

**You may not claim a property tax credit if your household income is over \$82,650.** The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that household income exceeds \$73,650. If filing a part-year return, you must annualize household income to determine if the income limitation applies. See instructions for annualizing on page 22.

---

### Which Form to File

Most filers should use Form MI-1040CR in this book.

If you are blind and own your homestead, are in the active military, are an eligible veteran or an eligible veteran's surviving spouse, request Form MI-1040CR-2 and complete an MI-1040CR and an MI-1040CR-2.

**Use the form that gives you a larger credit.** If you are blind and rent your homestead, you cannot use the MI-1040CR-2. Claim your credit on

Form MI-1040CR and check the appropriate box on line 6.

---

### When to File

If you are not required to file a *Michigan Individual Income Tax Return* (Form MI-1040), you may file your credit claim as soon as you know your 2004 household income and property taxes levied in 2004. If you file a Michigan income tax return, your credit claim should be attached to your MI-1040 return and filed by April 15, 2005.

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### Amending Your Credit Claim

Use Form MI-1040X and attach a copy of your corrected credit form. You must do this within four years of the date set for filing your original income tax return.

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### Delaying Payment of Your Property Taxes

Senior citizens, disabled people, veterans, surviving spouses of veterans, and farmers may be able to delay paying property taxes. Contact your local or county treasurer for more information about delaying payment of your property taxes.

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## Household Income

Household income is the total income (taxable and nontaxable) of both spouses or of a single person maintaining a household. It is your AGI, plus all income exempt or excluded from AGI. See instructions beginning on page 20.

### Household income does NOT include:

- Payments received by participants in the foster grandparent or senior companion program
- Energy assistance grants
- Government payments to a third party (e.g., a doctor).

**Note:** If payment is made from money withheld from your benefit, the payment **is** part of household income. (For example, the FIA may pay your rent directly to the landlord.)

- Money received from a government unit to repair or improve your homestead
- Surplus food or food stamps
- State and city income tax refunds and homestead property tax credits
- Chore service payments. (These payments are income to the provider but not the person receiving the service)
- The first \$300 from gambling, bingo, lottery, awards or prizes
- The first \$300 in gifts, cash or expenses paid on your behalf by a family member or friend
- Loan proceeds
- Inheritance **from a spouse**
- Life insurance benefits **from a spouse**
- Amounts deducted from Social Security or railroad retirement benefits for Medicare premiums
- Life, health and accident insurance premiums paid by your employer. However, if you pay medical insurance or health maintenance organization (HMO) premiums for you or your family, you may deduct the cost from household income.

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## Property Taxes That Can Be Claimed for Credit

Ad valorem property taxes that were levied on your homestead in 2004, including collection fees up to 1 percent of the taxes, can be claimed

no matter when you pay them. You may **add** to your 2004 taxes the amount of property taxes billed in 2004 from a corrected or supplemental tax bill. You must **deduct** from your 2004 property taxes any refund of property taxes received in 2004 that was a result of a corrected tax bill from a previous year.

### Do not include:

- Delinquent property taxes (e.g., 2003 property taxes paid in 2004).
- Penalty and interest on late payments of property tax.
- Delinquent water or sewer bills.
- Property taxes on cottages or second homes.
- Most special assessments for drains, sewers, and roads do not meet specific tests and may not be included. You may include special assessments only if they are levied using a uniform millage rate, are based on taxable value, and are either levied in the entire taxing jurisdiction or they are used to provide police, fire or advanced life support services and are levied township-wide, except for all or a portion of a village.

**Home used for business.** If you use part of your home for business, you may claim the property taxes on the living area of your homestead, but **not** the property taxes on the portion used for business.

**Owner-occupied duplexes.** When both units are equal, you are limited to 50 percent of the tax on both units.

**Owner-occupied income property.** Apartment building owners who live in one of the units or single family homeowners who rent a room(s) to a tenant(s) must do two calculations to figure the tax they can claim and base their credit on the **lower** amount. First, subtract 20 percent of the rent collected from the tax claimed for credit. Second, reduce the tax claimed for credit by the amount of tax claimed as rental expense on your U.S. 1040.

For example, your home has an upstairs apartment that is rented to a tenant for \$395 a month. Total property taxes on your home are \$2,150. Of this amount, \$858 is claimed as rental expense. The calculations are as follows:

### Step 1:

$\$395 \times 12 = \$4,740$  annual rent  
 $\$4,740 \times .20 = \$948$  taxes attributable to the apartment  
 $\$2,150$  total taxes -  $\$948 = \$1,202$  taxes attributable to owner's homestead

### Step 2:

$\$2,150$  total taxes -  $\$858$  taxes claimed as a business deduction =  
 $\$1,292$  taxes attributable to homestead

The owner's taxes that can be claimed for credit are \$1,202, the smaller of the two computations.

**Farmers.** Include farmland taxes in your property tax credit claim if any of the following conditions apply:

- If your gross receipts from farming are greater than your household income, you may claim all of your farmland taxes including taxes on unoccupied farmland. Do **not** include taxes on farmland that is not adjacent or contiguous to your home and that you rent or lease to another person.
- If gross receipts from farming are less than your household income and you have lived in your home **more** than 10 years, you may claim the taxes on your home and the farmland adjacent and contiguous to your home.
- If gross receipts from farming are less than your household income and you have lived in your home **less** than 10 years, you may claim the taxes on your home and five acres of farmland adjacent and contiguous to your home.

You may **not** claim **rent paid** for vacant farmland when computing your property tax credit claim.

Include any farmland preservation tax credit in your household income. Enter the amount of credit you received in 2004 on line 18 or include it in net farm income on line 16.

Homestead property tax credits are **not** included in household income. If you included this amount in your taxable farm income, subtract it from household income.

---

## Rent That Can Be Claimed for Credit

You must be under a lease or rental contract to claim rent for credit. In most cases, 20 percent of rent paid is

considered property tax that can be claimed for credit. The following are exceptions:

- If you live in housing on which **service fees** are paid instead of taxes, 10 percent of your rent can be claimed for credit. If the landlord says your tax share is less than 10 percent, use the amount the landlord gives you.
- If your housing is **exempt** from property tax and no service fee is paid, you are **not** eligible for credit. This includes university- or college-owned housing.
- If your **housing costs are subsidized**, base your claim on the amount you pay. Do not include the federal subsidy amount.
- **Mobile home park residents**, claim the \$3 per month specific tax on line 8, and the balance of rent paid on line 9.
- If you are a **cooperative housing corporation resident member**, claim your share of the property taxes on the building. If you live in a cooperative where residents pay rent on the land under the building, you may also claim 20 percent of that land rent. (Do **not** take 20 percent of your total monthly payment.)
- When you pay **room and board in one fee**, you must also determine your tax that can be claimed for credit based on square footage. For example, you pay \$750 a month for room and board. You occupy 600 square feet of a 62,000 square foot apartment building. The landlord pays \$54,000 in taxes per year.  
**Step 1:**  $600/62,000 = .0097$   
**Step 2:**  $\$54,000 \times .0097 = \$524$  taxes you can claim for credit.

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### If You Moved in 2004

**Residents** who temporarily lived outside Michigan may qualify for a credit if Michigan remained their state of domicile. Personal belongings and furnishings must have remained in the Michigan homestead **and** the homestead must **not** have been rented or sublet during the temporary absence. (See the definitions of resident on page 7 and domicile on page 17.)

**If you bought or sold your home**, you must prorate your taxes. Complete Form MI-1040CR, lines 36-42, to determine the taxes that can be claimed for credit. Use only the taxes levied in 2004 on each Michigan homestead, then prorate taxes based on days of occupancy. Do **not** include taxes on out-of-state property.

---

### Part-Year Residents

If you lived in Michigan at least six months during the year, you may be entitled to a partial credit. If you are a part-year resident, you must include all income received as a Michigan resident in household income (line 29). Complete MI-1040CR, lines 36-42, to determine the taxes eligible to be claimed for credit on your Michigan homestead.

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### Residents of Nursing Homes and Other Adult Care Homes

If you are a resident of a nursing home, adult foster care home or home for the aged, that facility is considered your homestead. If the facility pays local property taxes (many do not), you may claim your portion of those taxes for credit. You may **not** claim rent. Ask the manager what your share is. If you would rather figure it yourself, divide the amount of property tax levied on the facility in 2004 by the number of residents the facility is licensed for. This is your share. If both you and your spouse live in the facility, add your shares together. If you lived in the facility only part of the year, multiply this amount by the portion of the year you lived at the facility.

**Exception:** Credit is not allowed if your facility care charges are paid directly to the facility by a government agency.

If you maintain a homestead and your spouse lives in an adult care home, you may file a joint credit claim. Combine the tax for your homestead and your spouse's share of the facility's property tax to compute your claim.

If you are single and maintain a homestead (that is **not** rented) while living in an adult care home, you may claim either your homestead or your share of the facility's property tax, but

not both. Use the one that gives you the larger credit.

---

### Deceased Claimant's Credit

The estate of a taxpayer who died in 2004 (or 2005 before filing a claim) may be entitled to a credit for 2004. The surviving spouse, other authorized claimant, or personal representative can claim this credit. Use the deceased's Social Security number and the personal representative's address. If taxpayer died after December 31, 2003, enter the date of death in the "Deceased Taxpayers" box on the bottom of page 2.

The **surviving spouse** may file a joint claim with the deceased. Enter both names and Social Security numbers on the form, and write "DECD" after the deceased's name. Sign the return and write "filing as surviving spouse" in the deceased's signature block. Enter the date of death in the "Deceased Taxpayers" box on the bottom of page 2. Include the deceased's income in household income.

If filing as a **personal representative** or **claimant** to the refund of a single deceased taxpayer(s), you must attach a *Statement of Person Claiming Refund Due a Deceased Taxpayer* (U.S. 1310) or *Michigan Claim for Refund Due a Deceased Taxpayer* (MI-1310). Enter the deceased's name in the Filer's Name field and the representative's or claimant's name and title in the Spouse's Name field. See the "Deceased Taxpayer Chart of Examples" on page 43. A **claimant** must prorate to the date of death as noted in the following paragraph.

The **personal representative** or **claimant** claiming a credit for a single deceased person or on a jointly filed credit if both filers became deceased during the 2004 tax year, must prorate taxes to the date of death. Complete lines 38-42 to prorate the property taxes. Annualize household income. (See the instructions for line 30 and 35 on page 22.) Attach a copy of the tax bills or rent receipts. If filing as a **personal representative** or **claimant** of a deceased taxpayer(s) for a **jointly** filed return, you must attach a



*Statement of Person Claiming Refund Due a Deceased Taxpayer* (U.S.1310) or *Michigan Claim for a Refund Due a Deceased Taxpayer* (MI-1310). Enter the names of the deceased persons in the Filer's and Spouse's Name fields and the representative's or claimant's name, title and address in the Home Address field. See "Deceased Taxpayer Chart of Examples" on page 43.

If you are a personal representative or claimant filing a joint return, see "Deceased Taxpayers" on page 8.

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### Married During 2004

If you married during 2004, combine each spouse's share of taxes or rent for the period of time he or she lived in separate homesteads. Then add the prorated share of taxes or rent for the time you lived together in your marital home. This only applies to homes located in Michigan.

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### Married Filing Separately

Spouses who file separate Michigan income tax returns and share a household are entitled to **one** property tax credit. Complete your property tax credit claim jointly and include income from both spouses in household income. Divide the credit as you wish. If each spouse claims a portion of the credit, attach a copy of the claim showing each spouse's share of the credit to each income tax return. Enter only your portion of the credit on MI-1040, line 31.

---

### Separated and Filing a Joint Return With Your Spouse

Your claim must be based on the tax or rent for 12 months on only one home. The household income must be the combined income of both you and your spouse for the entire year.

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### Filing Separate Federal and State Returns and Maintaining Separate Homesteads

You may each claim a credit. Each credit is based on the individual taxes or rent and individual income for each person.

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### Separated or Divorced in 2004

Figure your credit based on the taxes you paid together before your separation plus the taxes you paid individually after your separation. Attach a schedule showing your computation.

**For example**, Bob and Susan separated on October 2, 2004. The annual taxes on the home they owned were \$1,860. Susan continued to live in the home and Bob moved to an apartment on October 2 and paid \$350 per month rent for the rest of the year. Susan earned \$20,000 and Bob earned \$25,000. They lived together for 275 days.

**Step 1:** Calculate the prorated income for each spouse for the 275 days they lived together. Divide each spouse's total income by 366 days then multiply that figure by 275.

Susan  $(\$20,000/366) \times 275 = \$15,027$   
Bob  $(\$25,000/366) \times 275 = \$18,784$

**Step 2:** Add both prorated incomes together to determine the total income for the time they lived together.

$\$15,027 + \$18,784 = \$33,811$

**Step 3:** Divide each individual's prorated share of income by the total income from Step 2 to determine the percentage of income attributable to each.

Susan  $\$15,027/\$33,811 = 44\%$

Bob  $\$18,784/\$33,811 = 56\%$

**Step 4:** Calculate the prorated taxes eligible for credit for the time they lived together. Divide the \$1,860 by 366 days, then multiply by 275 days.

$(\$1,860/366) \times 275 = \$1,398$

**Step 5:** Calculate each individual's share of the prorated taxes. Multiply the \$1,398 by the percentages determined in Step 3.

Susan  $\$1,398 \times 44\% = \$615$

Bob  $\$1,398 \times 56\% = \$783$

Enter these amounts on your MI-1040CR, line 41, column A.

Susan uses lines 38-41, column B, to compute her share of taxes for the remaining 91 days.

Bob uses lines 43-44 to compute his share of rent. Each completes the remaining lines of the MI-1040CR according to the form instructions.

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### Single Adults Sharing a Home

When two or more single adults share a home, each may file a credit claim if each has contracted to pay rent or owns a share of the home. Each adult should file an individual claim based on his or her household income and prorated share of taxes or rent paid.

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## Line-by-Line Instructions for Form MI-1040CR

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Lines not listed are explained on the form.

**Lines 1, 2 and 3:** If you are filing this form with an income tax return (MI-1040), you do not need to enter your address on this form, but you must enter your name(s) and Social Security number(s). If you are married, filing separate claims, enter both Social Security numbers, but do **not** enter your spouse's name.

**Line 5:** If you and your spouse had a different residency status, check the box that applies to each spouse.

**Line 6:** Check the box(es) that applies to you or your spouse as of December 31, 2004:

**a)** Age 65 or older.

Unremarried surviving spouse of a person who was 65 or older at the time

of death. You are considered 65 the day before your 65th birthday.

**b)** Deaf, blind, (see page 11, 9f instructions), hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled (as defined under Social Security Guidelines 42 USC 416).



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## Property Tax and Household Income

Include all taxable and nontaxable income you and your spouse received in 2004. If your family lived in Michigan and one spouse earned wages outside Michigan, include the income earned out of state in your household income. (See "Household Income" and "Property Taxes That Can Be Claimed for Credit" on page 18.)

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**Line 7:** If you own your homestead, enter the 2004 taxable value from your 2004 property tax statement. If you do not know your taxable value, ask your local treasurer. Farmers should include the taxable value on all land that qualifies for this credit.

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**Line 8:** Read "Property Taxes That Can Be Claimed for Credit" on page 18 before you complete this line.

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**Line 12:** Enter all compensation received as an employee. Include strike pay, supplemental unemployment benefits (SUB pay), sick pay or long-term disability benefits, including income protection insurance and any other amounts reported to you on form W-2.

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**Line 14:** Enter the total of the amounts from your U.S. *Schedule C* (business income or loss); U.S. 4797 (other gain or loss); and U.S. *Schedule E* (rents, royalties, partnerships, S corporations, estates and trusts). Include amounts from sources outside Michigan. **Attach these schedules to your claim.**

---

**Line 15:** Enter all annuity, retirement pension and IRA benefits and the name of the payer. This should be the taxable amount shown on your U.S. 1099-R. If no taxable amount is shown on your U.S. 1099-R, use the amount required to be included in AGI. Enter zero if all of your distribution is from your contributions made with income previously included in AGI. Include reimbursement payments such as an increase in a pension to pay for Medicare charges. Also include the total amount of any lump sum distribution including amounts

reported on your U.S. 4972. Do not include recoveries of after tax contributions or amounts rolled over into another plan (amounts rolled over into a Roth IRA must be included to the extent included in AGI).

You must include any part of a distribution from a Roth IRA that exceeds your total contributions to the Roth IRA regardless of whether this amount is included in AGI. Assume that all contributions to the Roth IRA are withdrawn first. **Note:** Losses from Roth IRAs cannot be deducted.

---

**Line 16:** Enter the amount from U.S. *Schedule F* (farm income or loss). Attach *Schedule F*.

---

**Line 17:** Enter net capital gains and losses. This is the total of short- and long-term gains, less short- and long-term losses from your U.S. *Schedule 1040D*, line 16 (for gains) or line 21 (for losses--cannot exceed \$3,000). Include gains realized on the sale of your residence regardless of your age or whether or not these gains are exempt from federal income tax.

---

**Line 18:** Enter alimony received and other taxable income. Describe other taxable income. This includes:

- Awards, prizes, lottery, bingo and other gambling winnings over \$300.
- Farmland preservation tax credits, if not included in farm income on line 16.

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**Line 19:** Enter your Social Security, Supplemental Security Income (SSI) and/or Railroad Retirement benefits. Include death benefits and amounts received for minor children or other dependent adults who live with you. Report the amount actually received. Do **not** include the amount deducted for Medicare.

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**Line 20:** Enter child support and all payments received as a foster parent. **Note:** If you received a 2004 *Child Support Annual Statement* showing child support payments paid to the Friend of the Court, enter the child support portion here and attach a copy of the statement. See line 24.

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**Line 22:** Enter other nontaxable income. This includes:

- Compensation for damages to character or for personal injury or sickness.
- An inheritance (**except an inheritance from your spouse**).
- Proceeds of a life insurance policy paid on the death of the insured (**exclude benefits from a policy on your spouse**).
- Death benefits paid by or on behalf of an employer.
- The value over \$300 in gifts of cash, merchandise or expenses paid on your behalf (rent, taxes, utilities, food, medical care, etc.) from parents, relatives or friends.
- Minister's housing allowance.
- Amounts paid directly to you as a scholarship, stipend, grant or GI bill benefits.
- Reimbursement from dependent care and/or medical care spending accounts.

Also include payments made on your behalf except government payments made directly to an educational institution or subsidized housing project.

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**Line 23:** Enter workers' compensation benefits, service-connected disability compensation and pension benefits from the Veterans Administration. Veterans receiving retirement benefits should enter their benefits on line 15.

---

**Line 24:** Enter the total payments made to your household by the FIA and all other public assistance payments. Your 2004 *Child Support Annual Statement(s)* mailed by FIA in January 2005 will show your total FIA payments. Your statement(s) may include the following: FIP assistance, State Disability Assistance (SDA), Refugee Assistance, Repatriate Assistance and vendor payments for shelter, heat and utilities. **Note:** If you received a 2004 *Annual Statement*, subtract the amount of child support payments entered on line 20 from the total FIA payments and enter the difference here.

---

**Line 26:** Enter total adjustments from your U.S. 1040, line 35, or U.S. 1040A, line 20. Describe adjustments to income.

These adjustments reduce household income and include the following:

- Educator expenses
- Certain business expenses of reservists, performing artists, and fee-basis government officials (U.S. 2106 or U.S. 2106EZ)
- Payments to individual retirement accounts (IRAs), SEP, SIMPLE or qualified plans
- Student loan interest deduction
- Tuition and fees
- Medical savings account deduction
- Health savings account deduction
- Moving expenses into or within Michigan
- Deduction for self-employment tax
- Self-employed health insurance deduction
- Forfeited interest penalty for premature withdrawal
- Alimony paid
- Any other adjustments to gross income included on line 35 of your 2004 U.S. 1040.

Also enter the amount of a net operating loss (NOL) deduction. **Note:** A deduction for a carryback or carryforward of an NOL cannot exceed federal modified taxable income. Attach your *Application for Net Operating Loss Refund* (Form MI-1045).

**Line 27:** Enter medical insurance or HMO premiums you paid for yourself and your family (**not Medicare**). Include medical insurance premiums paid through post-tax payroll

**TABLE 3: PERCENT OF TAXES NOT REFUNDABLE**

**ALL GENERAL CLAIMANTS**

Income	% of Income
\$0 - \$82,650 .....	3.5%

**OTHER CLAIMANTS\***

Income	% of Income
\$3,000 or less .....	0%
\$3,001 - \$4,000 .....	1%
\$4,001 - \$5,000 .....	2%
\$5,001 - \$6,000 .....	3%
More than \$6,000 .....	3.5%

\*Other claimants are senior citizens or people who are paraplegic, hemiplegic, quadriplegic, blind, deaf, or totally and permanently disabled or unremarried spouse of an individual 65 or older.

deduction. Include the portion of auto insurance paid for medical coverage. Do **not** include insurance premiums deducted on line 26 or premiums paid for income protection insurance, long-term care or pre-tax pay.

**Property Tax Credit**

**Line 30:** Multiply line 29 by 3.5 percent (.035) or the percentage from Table 3 below. **This is the amount that will not be refunded.** The personal representative claiming a credit for a deceased taxpayer with household income of \$6,000 or less must annualize the deceased's income and use the annualized figure to determine the nonrefundable percentage from Table 3 on this page. Then use the **actual** household income to compute the credit. See instructions for annualizing on this page.

**Line 35:** Taxpayers with household income over \$82,650 (line 29) are not eligible for credit in any category. The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that your household income exceeds \$73,650. If you are filing a part-year return (for a deceased taxpayer or a part-year resident), you must annualize the household income to determine if the credit reduction applies. If the annualized income is more than \$73,650, use actual household income to compute the credit; then reduce the credit 10 percent for every \$1,000 (or part of \$1,000) that your annualized income exceeds \$73,650. The surviving spouse filing a joint claim does not have to annualize the deceased spouse's income.

**To annualize income (project what it would have been for a full year):**

**Step 1:** Divide 366 by the number of days the claimant was a Michigan resident in 2004.

**Step 2:** Multiply the answer from step 1 by the claimant's household income (line 29). The result is annualized income.

**Renters**

See "Rent That Can Be Claimed for Credit" on page 18.

**Line 43:** If you rented a Michigan homestead subject to local property taxes, enter the street number and name, city, landlord's name and address, number of months rented, rent paid per month and total rent paid. Do this for each Michigan homestead rented during 2004. If you need more space, attach an additional sheet. Do not include more than 12 months' rent. Do not include amounts paid directly to the landowner on your behalf by a government agency, unless payment is made with money withheld from your benefit.

**Credit Proration**

If you received FIP assistance or other FIA benefits in 2004, prorate your credit to reflect the ratio of income from other sources to total household income. To prorate your credit, complete your MI-1040CR form, lines 1-31 first, then use the information from your form to complete the worksheet below.

**WORKSHEET 4 - FIP/FIA BENEFITS**

- Amount from line 24 (FIP and other FIA benefits) .. \_\_\_\_\_
- Amount from line 29 (Household Income) ..... \_\_\_\_\_
- Subtract line A from line B .... \_\_\_\_\_
- Divide line C by line B and enter percentage here ..... \_\_\_\_\_
- If you checked a box on line 6, enter amount from line 31. All others, multiply amount on line 31 by 60% (.60) and enter here. Maximum \$1,200 ..... \_\_\_\_\_
- Multiply line E by line D. If you are age 65 or older and you rent your home, enter amount here and on line 50. **Otherwise, enter here and on your MI-1040CR, line 33 .....**

**Alternate Property Tax Credit for Renters Age 65 or Older**

**Line 51:** Enter the rent paid from line 44 or, if you live in service fee housing, line 46. If you moved from one rental homestead to another during the last two years, enter here the smaller of:

- The final month's rent on your previous rented homestead multiplied by 12, **OR**
- The actual rent paid from line 44 or line 46.

**Forms contained in this book (pages 23-42) are **posted separately**. Select and print the form you need from the list below.**

<b><u>Forms</u></b>	<b><u>Page No.</u></b>
MI-1040, Individual Income Tax Return .....	23-26
Schedule W, Withholding Tax Schedule .....	27-30
MI-1040, Schedule 1 .....	31-34
MI-1040CR, Homestead Property Tax Credit Claim.....	35-38
Schedule NR, Nonresident and Part-Year Resident Schedule .....	39-40
Schedule CT, College Tuition and Fees Credit .....	41-42



## When to File a Single Business Tax Return

Single Business Tax (SBT) is a tax on business activity conducted in Michigan. You (individuals) are required to file an SBT return **IF** you have business activity in Michigan and your adjusted gross receipts are \$350,000 or greater for the 2004 tax year. Business activity is indicated if:

- You are self-employed and/or have to pay self-employment tax with your federal income tax return, **OR**
- You file a U.S. *Schedule C*, **OR**
- You include rental property on a U.S. *Schedule E*, **OR**

- Your earnings are reported to you on Form *1099 MISC* rather than a *W-2* form.

Software developers must support e-file for all SBT forms that are included in their tax preparation software. Therefore, all eligible SBT returns prepared using software must be e-filed through Michigan's Internet Portal. Visit [www.michigan.gov/sbtefile](http://www.michigan.gov/sbtefile) for more information. If you have general questions about SBT, call the Customer Contact Division, Single Business Tax Section, at 517-636-4700, or visit Treasury's Web site at [www.michigan.gov/treasury](http://www.michigan.gov/treasury)

## Deceased Taxpayer Chart of Examples (See instructions, pages 8 and 19-20.)

### A. Joint Filers with Surviving Spouse

1. Filer's First Name <b>John</b>	M.I. <b>A</b>	Last Name <b>Brown</b>	<b>DECD</b>
If a Joint Return, Spouse's First Name <b>Jane</b>	M.I. <b>C</b>	Last Name <b>Brown</b>	

### B. Single Filer with Personal Representative

1. Filer's First Name <b>John</b>	M.I. <b>A</b>	Last Name <b>Brown</b>	<b>EST OF</b>
If a Joint Return, Spouse's First Name <b>Sam</b>	M.I. <b>W</b>	Last Name <b>Jones</b>	<b>REP</b>

### C. Single Filer with Claimant

1. Filer's First Name <b>John</b>	M.I. <b>A</b>	Last Name <b>Brown</b>	<b>DECD</b>
If a Joint Return, Spouse's First Name <b>John</b>	M.I. <b>P</b>	Last Name <b>Jones</b>	<b>CLAIMANT</b>

### D. Joint Filers with Personal Representative

1. Filer's First Name <b>John</b>	M.I. <b>A</b>	Last Name <b>Brown</b>	<b>EST OF</b>
If a Joint Return, Spouse's First Name <b>Jane</b>	M.I. <b>C</b>	Last Name <b>Brown</b>	<b>EST OF</b>
Home Address (No., Street, P.O. Box or Rural Route) <b>John H. Jones</b> <b>REP</b> <b>123 Main St.</b>			

### E. Joint Filers with Claimant

1. Filer's First Name <b>John</b>	M.I. <b>A</b>	Last Name <b>Brown</b>	<b>DECD</b>
If a Joint Return, Spouse's First Name <b>Jane</b>	M.I. <b>C</b>	Last Name <b>Brown</b>	<b>DECD</b>
Home Address (No., Street, P.O. Box or Rural Route) <b>John H. Jones</b> <b>CLAIMANT</b> <b>123 Main St.</b>			

## Worksheet 5: Exemption Allowance for Schedule NR

### When One Spouse is a Part-time or Non-Resident

#### A. Computing Amount of Exemption for Part-Year or Non-Resident Income

1. Michigan Taxable Income of spouse that is NOT a full year resident ..... 1. \_\_\_\_\_
2. Total Taxable Income of spouse that is NOT a full year resident ..... 2. \_\_\_\_\_
3. Divide line 1 by line 2 and enter percentage here ..... 3. \_\_\_\_\_ %
4. Michigan personal exemption allowance ..... 4. **\$3,100**
5. Number of spouse's special exemptions from MI-1040, line 9  
\_\_\_\_\_ x \$2,000 ..... 5. \_\_\_\_\_
6. Add lines 4 and 5 ..... 6. \_\_\_\_\_
7. Multiply line 6 by the percentage on line 3 ..... 7. \_\_\_\_\_

#### B. Computing Amount of Prorated Exemption Amount for Dependents

8. Michigan AGI for both spouses from Schedule NR, line 14b ..... 8. \_\_\_\_\_
9. Total AGI from Schedule NR, line 14a ..... 9. \_\_\_\_\_
10. Divide line 8 by line 9 and enter percentage here ..... 10. \_\_\_\_\_ %
11. Multiply line 10 by exemption allowance of \$3,100 ..... 11. \_\_\_\_\_
12. Multiply line 11 by the number of dependents claimed ..... 12. \_\_\_\_\_

#### C. Computing Amount of Exemption for Resident Spouse

13. Michigan resident spouse personal exemption allowance ..... 13. **\$3,100**
14. Number of resident spouse's special exemptions from MI-1040, line 9  
\_\_\_\_\_ x \$2,000 ..... 14. \_\_\_\_\_
15. Add lines 13 and 14 ..... 15. \_\_\_\_\_
16. Add lines 7, 12 and 15 and carry to Schedule NR, line 19 ..... 16. \_\_\_\_\_

## Certified Community Foundations and Component Funds

A component fund serves donors and nonprofit organizations in a specific geographic area as a restricted fund of a neighboring community foundation. The following are certified for the Community Foundations Credit for 2004.

- |  |  |
|--|--|
| 01 Albion Community Foundation                       | 13 Four County Community Foundation                  |
| 56 Allegan County Community Foundation               | 14 Fremont Area Community Foundation                 |
| Saugatuck/Douglas Area Community Fund                | Lake County Community Foundation                     |
| 63 Anchor Bay Community Foundation                   | Mecosta County Community Foundation                  |
| 02 Ann Arbor Area Community Foundation               | Osceola County Community Foundation                  |
| Ypsilanti Area Community Fund                        | 15 Grand Haven Area Community Foundation             |
| 49 Baraga County Community Foundation                | Allendale Community Foundation                       |
| 58 Barry Community Foundation                        | Coopersville Area Community Foundation               |
| 17 Battle Creek Community Foundation                 | 16 Grand Rapids Community Foundation                 |
| Athens Area Community Foundation                     | Cascade Community Foundation                         |
| Homer Area Community Foundation                      | Ionia County Community Foundation                    |
| Springfield Community Foundation                     | Southeast Ottawa Community Foundation                |
| 03 Bay Area Community Foundation                     | Sparta Community Foundation                          |
| Arenac County Fund                                   | Wyoming Community Foundation                         |
| 04 Berrien Community Foundation                      | 46 Grand Traverse Regional Community Foundation      |
| Coloma Community Fund                                | 48 Gratiot County Community Foundation               |
| Greater Berrien Springs Community Endowment Fund     | 18 Greater Frankenmuth Area Community Foundation     |
| Harbor County Endowment Fund                         | 37 Greenville Area Community Foundation              |
| 45 Branch County Community Foundation                | Lakeview Area Community Foundation                   |
| 36 Cadillac Area Community Foundation                | Montcalm Panhandle Community Fund                    |
| Missaukee Area Community Foundation Fund             | 43 Hillsdale County Community Foundation             |
| 64 Canton Community Foundation                       | 60 Huron County Community Foundation                 |
| 06 Capital Region Community Foundation               | 21 Jackson County Community Foundation               |
| Eaton County Community Foundation                    | 22 Kalamazoo Community Foundation                    |
| 66 Central Montcalm Community Foundation             | Bangor Community Foundation                          |
| 44 Charlevoix County Community Foundation            | Covert Township Community Foundation                 |
| 70 Chippewa County Community Foundation              | South Haven Community Foundation                     |
| 28 Community Foundation for Muskegon County          | 67 Keweenaw Community Foundation                     |
| Mason County Community Foundation                    | 23 Leelanau Township Community Foundation            |
| Oceana County Community Foundation                   | 62 Lenawee Community Foundation                      |
| 29 Community Foundation for Northeast Michigan       | 55 Livonia Community Foundation                      |
| Iosco County Community Foundation                    | 25 M & M Area Community Foundation                   |
| North Central Michigan Community Foundation          | 65 Mackinac Island Community Foundation              |
| Straits Area Community Foundation                    | 24 Manistee County Community Foundation              |
| 09 Community Foundation for Southeast Michigan       | 39 Marquette Community Foundation                    |
| Chelsea Community Foundation                         | Greater Ishpeming Area Community Fund                |
| Community Foundation for Livingston County           | Gwinn Area Community Fund                            |
| 10 Community Foundation of Greater Flint             | Negaunee Area Community Fund                         |
| Clio Area Community Fund                             | 26 Marshall Community Foundation                     |
| Fenton Community Fund                                | 05 Michigan Gateway Community Foundation             |
| Flushing Area Community Fund                         | 27 Midland Area Community Foundation                 |
| Grand Blanc Community Fund                           | Clare County Community Foundation                    |
| Lapeer County Community Fund                         | Gladwin County Endowment Fund                        |
| 19 Community Foundation of Greater Rochester         | 42 Mt. Pleasant Area Community Foundation            |
| 11 Community Foundation of Monroe County             | Shepard Community Fund                               |
| The Bedford Foundation                               | 68 Northville Community Foundation                   |
| 35 Community Foundation of St. Clair County          | 75 Otsego County Community Foundation                |
| 20 Community Foundation of the Holland/Zeeleand Area | 47 Petoskey-Harbor Springs Area Community Foundation |
| 72 Community Foundation of Troy                      | 76 Roscommon County Community Foundation             |
| 54 Community Foundation of the Upper Peninsula       | 30 Saginaw Community Foundation                      |
| Alger Regional Community Foundation                  | Chesaning Area Community Foundation Fund             |
| Community Foundation for Delta County                | 61 Sanilac County Community Foundation               |
| Gogebic-Ontonagon Community Foundation               | 71 Shelby Community Foundation                       |
| Les Chenaux Area Community Fund                      | 31 Shiawassee Community Foundation                   |
| Schoolcraft County Community Foundation              | 57 Southfield Community Foundation                   |
| St. Ignace Area Community Foundation                 | 74 Sterling Heights Community Foundation             |
| Tahquamenon Falls Area Community Foundation          | 40 Sturgis Area Community Foundation                 |
| West Iron County Area Community Fund                 | Constantine Area Community Foundation                |
| 50 Dickinson County Area Community Foundation        | White Pigeon Area Community Foundation               |
| Crystal Falls/Forest Park Area Community Fund        | 62 Tecumseh Community Fund Foundation                |
| Norway Affiliate Fund                                | 32 Three Rivers Area Community Foundation            |
|  | 73 Tuscola County Community Foundation               |

## School District Code List (See MI-1040 or MI-1040CR, line 4.)

Michigan public school districts are listed alphabetically with code numbers to the **left** of the names. When more than one district has the same name, the city name in parentheses helps you choose the right district. **Residents**, choose the code for the district where you lived on December 31, 2004. Call your local assessor or treasurer if you do not know your school district name. **Nonresidents**, enter "10000" in the code box.

31020 Adams Twp.	11210 Brandywine	33040 Dansville	26040 Gladwin
46020 Addison	29040 Breckenridge	25140 Davison	45010 Glen Lake
46010 Adrian	22030 Breitung Twp.	82030 Dearborn	03440 Glenn Public Schools
58020 Airport	73180 Bridgeport-Spaulding	82040 Dearborn Heights (7)	80110 Gobles
79010 Akron Fairgrove	11340 Bridgman	80050 Decatur	41120 Godfrey Lee
05010 Alba	47010 Brighton	76090 Deckerville	41020 Godwin Heights
13010 Albion	17140 Brimley	46070 Deerfield	25050 Goodrich
01010 Alcona	46050 Britton Macon	08010 Delton-Kellogg	25030 Grand Blanc
74030 Algonac	12020 Bronson	17050 Detour	70010 Grand Haven
03030 Allegan	76060 Brown City	82010 Detroit	23060 Grand Ledge
82020 Allen Park	11310 Buchanan	19010 DeWitt	41010 Grand Rapids
70040 Allendale	28035 Buckley	81050 Dexter	41130 Grandville
29010 Alma	73080 Buena Vista	31100 Dollar Bay-Tamarack City	62050 Grant
44020 Almont	56020 Bullock Creek	14020 Dowagiac Union	42030 Grant Twp.
04010 Alpena	75020 Burr Oak	44050 Dryden	38050 Grass Lake
50040 Anchor Bay	02020 Burt Twp.	58050 Dundee	59070 Greenville
81010 Ann Arbor	78020 Byron	78030 Durand	82300 Grosse Ile Twp.
06010 Arenac Eastern	41040 Byron Center		82055 Grosse Pointe
50050 Armada		74050 East China	39065 Gull Lake
07010 Arvon Twp.	83010 Cadillac	50020 East Detroit	52040 Gwinn
29020 Ashley	41050 Caledonia	41090 East Grand Rapids	
13050 Athens	31030 Calumet	38090 East Jackson	11670 Hagar Twp. (6)
25130 Atherton	30010 Camden Frontier	15060 East Jordan	35020 Hale
60010 Atlanta	74040 Capac	33010 East Lansing	03100 Hamilton
06020 Au Gres Sims	25080 Carman-Ainsworth	34340 Easton Twp. (6)	82060 Hamtramck
02010 AuTrain-Onota	55010 Carney Nadeau	23050 Eaton Rapids	31010 Hancock
63070 Avondale	79020 Caro	11250 Eau Claire	38100 Hanover Horton
	73030 Carrollton	82250 Ecorse	32060 Harbor Beach
32010 Bad Axe	59020 Carson City Crystal	14030 Edwardsburg	24020 Harbor Springs
43040 Baldwin	76070 Carsonville-Pt. Sanilac	05060 Elk Rapids	13070 Harper Creek
80020 Bangor	32030 Caseville	05065 Ellsworth	82320 Harper Woods
80240 Bangor Twp. (8)	79030 Cass City	31070 Elm River Twp.	18060 Harrison
(Bangor)	14010 Cassopolis	49055 Engadine	64040 Hart
09030 Bangor Twp.	41070 Cedar Springs	21010 Escanaba	80120 Hartford
(Bay City)	50010 Centerline	09050 Essexville Hampton	47060 Hartland
07020 Baraga Twp.	05035 Central Lake	67020 Ewart	33060 Haslett
21090 Bark River Harris	59125 Central Montcalm	66045 Ewen-Trout Creek	08030 Hastings
19100 Bath	75030 Centreville	40060 Excelsior (1)	63130 Hazel Park
13020 Battle Creek	15050 Charlevoix		73210 Hemlock
09010 Bay City	23030 Charlotte	68030 Fairview	62060 Hesperia
37040 Beal City	31050 Chassell Twp.	63200 Farmington	82070 Highland Park
51020 Bear Lake	16015 Cheboygan	18020 Farwell	60020 Hillman
15010 Beaver Island	81040 Chelsea	03050 Fennville	30020 Hillsdale
26010 Beaverton	73110 Chesaning Union	25100 Fenton	70020 Holland
58030 Bedford	54025 Chippewa Hills	63020 Ferndale	63210 Holly Area
25240 Beecher	50080 Chippewa Valley	50090 Fitzgerald	33070 Holt
34080 Belding	32040 Church	82180 Flat Rock	61120 Holton
05040 Bellaire	18010 Clare	25010 Flint	13080 Homer
23010 Bellevue	63090 Clarenceville	25120 Flushing	03070 Hopkins
25060 Bendle	63190 Clarkston	40020 Forest Area	72020 Houghton Lake
25230 Bentley	63270 Clawson	41110 Forest Hills	31110 Houghton-Portage
11010 Benton Harbor	39020 Climax Scotts	36015 Forest Park	47070 Howell
10015 Benzie County Central	46060 Clinton	19070 Fowler	46080 Hudson
63050 Berkley	50070 Clintondale	47030 Fowlerville	70190 Hudsonville
34140 Berlin Twp. (3)	25150 Clio	73190 Frankenmuth	82340 Huron
11240 Berrien Springs	12010 Coldwater	10025 Frankfort-Elberta	63220 Huron Valley
27010 Bessemer City	56030 Coleman	50100 Fraser	
21065 Big Bay De Noc	32260 Colfax Twp. (1F)	73200 Freeland	58070 Ida
62470 Big Jackson	11330 Coloma	53030 Freesoil	44060 Imlay City
54010 Big Rapids	75040 Colon	62040 Fremont	82080 Inkster
73170 Birch Run	38040 Columbia	61080 Fruitport	16050 Inland Lakes
63010 Birmingham	39030 Comstock	29050 Fulton	34010 Ionia
46040 Blissfield	41080 Comstock Park		34360 Ionia Twp. (2)
63080 Bloomfield Hills	38080 Concord	39050 Galesburg Augusta	22010 Iron Mountain
32250 Bloomfield Twp. (7F)	75050 Constantine	11160 Galien Twp.	27020 Ironwood
(Huron Co.)	70120 Coopersville	82050 Garden City	52180 Ishpeming
80090 Bloomingdale	78100 Corunna	69020 Gaylord	29060 Ithaca
49020 Bois Blanc Pines	80040 Covert	25070 Genesee	
15020 Boyne City	20015 Crawford AuSable	72010 Gerrish Higgins	38170 Jackson
15030 Boyne Falls	82230 Crestwood	82290 Gibraltar	58080 Jefferson Schools-Monroe Co.
63180 Brandon	76080 Croswell Lexington	21025 Gladstone	70175 Jenison



69030	Johannesburg-Lewiston	83070	Mesick	32130	Port Hope	28010	Traverse City
30030	Jonesville	38120	Michigan Center	74010	Port Huron	82155	Trenton
39010	Kalamazoo	21135	Mid Peninsula	39140	Portage	59080	Tri County (Howard City)
51045	Kaleva Norman-Dickson	56010	Midland	34110	Portland	63150	Troy
40040	Kalkaska	81100	Milan	71060	Posen		
25110	Kearsley	79100	Millington	23090	Pottersville	32170	Ubyly
41140	Kelloggsville	68010	Mio Au Sable	52100	Powell Twp.	13135	Union City
41145	Kenowa Hills	61060	Mona Shores			79145	Unionville Sebewaing
41150	Kent City	58010	Monroe	12040	Quincy	50210	Utica
41160	Kentwood	59045	Montabella				
28090	Kingsley	61180	Montague	21060	Rapid River	82430	Van Buren
79080	Kingston	25260	Montrose	61210	Ravenna	50220	Van Dyke
		49070	Moran Twp.	30070	Reading	69040	Vanderbilt
50140	L'Anse Creuse	46100	Morenci	82110	Redford Union	38020	Vandercook Lake
07040	L'Anse Area	54040	Morley Stanwood	67060	Reed City	79150	Vassar
78040	Laingsburg	78060	Morrice	79110	Reese	32650	Verona Twp. (1F)
57020	Lake City	50160	Mt. Clemens	61220	Reeths Puffer	59150	Vestaburg
25200	Lake Fenton	25040	Mt. Morris	52110	Republic Michigamme	39170	Vicksburg
31130	Lake Linden Hubbell	37010	Mt. Pleasant	50180	Richmond		
63230	Lake Orion	02070	Munising	82120	River Rouge	27070	Wakefield-Marenisco
32050	Laker Schools	61010	Muskegon	11033	River Valley	30080	Waldron
50120	Lakeshore	61020	Muskegon Heights	82400	Riverview	64090	Walkerville
	(St. Clair Shores)			63260	Rochester	63290	Walled Lake
11030	Lakeshore	38130	Napoleon	41210	Rockford	50230	Warren
	(Stevensville, Berrien Co.)	52090	Negaunee	71080	Rogers City Area	50240	Warren Woods
59090	Lakeview (Lakeview)	11200	New Buffalo	50190	Romeo	63300	Waterford
13090	Lakeview (Battle Creek)	50170	New Haven	82130	Romulus	27080	Watersmeet Twp.
50130	Lakeview (St. Clair Shores)	78070	New Lothrop	50030	Roseville	11320	Watervliet
25280	Lakeville	62070	Newaygo	63040	Royal Oak	33215	Waverly
34090	Lakewood	52015	Nice (Ishpeming) N.I.C.E.	17110	Rudyard	03040	Wayland Union
63280	Lamphere	11300	Niles			82160	Wayne-Westland
33020	Lansing	30050	North Adams - Jerome	73010	Saginaw City	33220	Webberville
44010	Lapeer	44090	North Branch	73040	Saginaw Twp.	52160	Wells Twp.
80130	Lawrence	55115	North Central	81120	Saline	63160	West Bloomfield
80140	Lawton	22045	North Dickinson Co.	46130	Sand Creek	65045	West Branch-Rose City
45020	Leland	32080	North Huron	76210	Sandusky	36025	West Iron County
49040	Les Cheneaux	61230	North Muskegon	34120	Saranac	70070	West Ottawa
33100	Leslie	45040	Northport	03080	Saugatuck	38010	Western
81070	Lincoln	41025	Northview	17010	Sault Ste. Marie	82240	Westwood
82090	Lincoln Park	82390	Northville	39160	Schoolcraft	25210	Westwood Heights
25250	Linden	38140	Northwest		(Kalamazoo Co.)	62090	White Cloud
30040	Litchfield	22025	Norway Vulcan	64080	Shelby	75070	White Pigeon
24030	Littlefield	75100	Nottawa	37060	Shepherd	66070	White Pine
82095	Livonia	63100	Novi	32610	Sigel Twp.-Adams (3)	17160	Whitefish
41170	Lowell				(Bad Axe)	58110	Whiteford
53040	Ludington	63250	Oak Park	32620	Sigel Twp. (4)	61240	Whitehall
		61065	Oakridge	32630	Sigel Twp. (6)	81140	Whitmore Lake
49110	Mackinac Island	33170	Okemos	11830	Sodus Twp. (5)	35040	Whittemore Prescott
16070	Mackinaw City	23080	Olivet	80010	South Haven	33230	Williamston
46090	Madison (Adrian)	71050	Onaway	50200	South Lake	81150	Willow Run
63140	Madison (Madison Hts.)	23490	Oneida Twp. (3)	63240	South Lyon	16100	Wolverine
05070	Mancelona	51060	Onkama	82140	South Redford	82365	Woodhaven
81080	Manchester	46110	Onsted	63060	Southfield	82170	Wyandotte
51070	Manistee	66050	Ontonagon	82405	Southgate	41026	Wyoming
77010	Manistique	61190	Orchard View	41240	Sparta		
83060	Manton	35010	Oscoda	70300	Spring Lake	74130	Yale
23065	Maple Valley	03020	Otsego	38150	Springport	81020	Ypsilanti
14050	Marcellus	19120	Ovid Elsie	73240	St. Charles		
67050	Marion	32090	Owendale Gagetown	49010	St. Ignace City	70350	Zeeland
13095	Mar Lee	78110	Owosso	19140	St. Johns		
76140	Marlette	63110	Oxford	11020	St. Joseph		
52170	Marquette City			29100	St. Louis		
13110	Marshall	34040	Palo	06050	Standish - Sterling		
03060	Martin	39130	Parchment	31140	Stanton Twp.		
74100	Marysville	80160	Paw Paw	55120	Stephenson		
33130	Mason	76180	Peck	33200	Stockbridge		
58090	Mason (Erie)	24040	Pellston	75010	Sturgis		
53010	Mason County Central	13120	Pennfield	58100	Summerfield		
	(Scottville)	64070	Pentwater	02080	Superior Central		
53020	Mason County Eastern	78080	Perry	45050	Suttons Bay		
	(Custer)	24070	Petoskey	73255	Swan Valley		
80150	Mattawan	19125	Pewamo-Westphalia	25180	Swartz Creek		
79090	Mayville	17090	Pickford				
57030	McBain	47080	Pinckney	48040	Tahquamenon		
82045	Melvindale Allen Park	09090	Pinconning	35030	Tawas		
74120	Memphis	67055	Pine River	82150	Taylor		
75060	Mendon	30060	Pittsford	46140	Tecumseh		
55100	Menominee	03010	Plainwell	13130	Tekonsha		
56050	Meridian	82100	Plymouth Canton	08050	Thornapple-Kellogg		
73230	Merrill	63030	Pontiac	75080	Three Rivers		

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**Review this label.** If the information is correct, place the label on the address block of your tax return. **If any information is incorrect, do not use this label.** Write the correct information on the return. If you use a tax preparer, take this book to your preparer and ask him or her to use this label. Using this label will help shorten the processing time of your return.

## Financial Information for Fiscal Year 2003

This information is intended to give you an overview and broad perspective of the state's financial operations. These figures were derived from the latest *Michigan Comprehensive Annual Financial Report* for the fiscal year ended September 30, 2003.

### State Revenues and Financing Sources

(Millions of Dollars)

<u>Financing Source</u>	<u>Amount</u>	<u>%</u>
Sales and Use Taxes	\$7,652.5	28.9%
Income Tax	5,811.8	21.9%
Other Revenue & Taxes	5,223.2	19.7%
State Education Tax	2,127.5	8.0%
Single Business & Insur. Taxes	2,074.1	7.8%
Motor Vehicle & Fuel Taxes	1,995.3	7.5%
Tobacco & Liquor Taxes	1,035.3	3.9%
Lottery Profits	598.3	2.3%
Total	<u>\$26,518.0</u>	<u>100.0%</u>

### State Expenditures and Financing Uses

(Millions of Dollars)

<u>Financing Use</u>	<u>Amount</u>	<u>%</u>
Education	\$13,786.0	52.0%
Health	3,152.0	11.9%
Transportation	2,250.0	8.5%
Law Enforcement & Public Safety	2,010.5	7.6%
Revenue Sharing to Local Governments	1,451.4	5.5%
Human Services	1,208.3	4.5%
General Government	1,179.9	4.4%
Economic Dev. & Environmental Reg.	950.7	3.6%
Other	529.2	2.0%
Total	<u>\$26,518.0</u>	<u>100.0%</u>

## Treasury Offices

Forms are available at Treasury offices listed below.  
Treasury office staff do not prepare tax returns.

**DETROIT**, 48202-6060  
Cadillac Place, Suite 2-200  
3060 W. Grand Blvd.

**DIMONDALE \***  
7285 Parsons Drive  
(\*NOT a mailing address)

**ESCANABA**, 49829  
State Office Building, Room 7  
305 Ludington St.  
(open 8 - 12 only)

**FLINT**, 48502  
State Office Building, 7th Floor  
125 E. Union St.

**GRAND RAPIDS**, 49503  
State Office Building, 3rd Floor  
350 Ottawa St., NW

**STERLING HEIGHTS**, 48314  
41300 Dequindre, Suite 200

**TRAVERSE CITY**, 49684  
701 S. Elmwood Ave.  
(open 8 - 12 only)

## Unclaimed Property

The Michigan Department of Treasury is holding millions of dollars in abandoned and unclaimed property belonging to Michigan residents. To check if the Treasury Department is holding funds for you or your family, visit our Web site at [www.michigan.gov/treasury](http://www.michigan.gov/treasury).

**Point. Click. File.**



Free e-file is  
available--do  
you qualify?

[www.MIfastfile.org](http://www.MIfastfile.org)